

# CURRENT *History*

A MONTHLY MAGAZINE  
OF WORLD AFFAIRS

AUGUST 1966

## U. S. AID IN A WORLD SETTING

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OR READING TODAY...FOR REFERENCE TOMORROW

# CURRENT *History*

FOUNDED IN 1914 BY  
*The New York Times*

PUBLISHED BY  
*Current History, Inc.*

EDITOR, 1943-1955:  
*D. G. Redmond*

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AUGUST, 1966  
VOLUME 51      NUMBER 300

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by ISHWER OJAJ, Assistant Professor of Government, Boston University;

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by WERNER LEVI, Professor of Political Science, University of Hawaii;

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by MARK A. PLUMMER, Associate Professor of History, Illinois State University.

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U.S. FOREIGN AID: AN OVERVIEW  
June, 1966

U.S. FOREIGN AID: CASE STUDIES  
July, 1966

U.S. AID IN A WORLD SETTING  
August, 1966

Published monthly by Current History, Inc., Publication Office, 1822 Ludlow St., Phila., Pa. 19103. Editorial Office: 12 Old Boston Road, Wilton, Conn. 06897. Second Class Postage paid at Phila., Pa., and additional mailing office. Indexed in *The Reader's Guide to Periodical Literature*. Individual copies may be secured by writing to the publication office. No responsibility is assumed for the return of unsolicited manuscripts. Copyright, © 1966, by Current History, Inc.

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# CURRENT History

AUGUST, 1966

VOL. 51, NO. 300

*In this third and concluding issue of Current History's study of United States foreign aid, six authoritative articles attempt to place this challenging aspect of American foreign policy into the setting of the world today. Writing of the world's population explosion, this first author warns that, "Should population stabilization fail to take place . . . no amount of effort—either internal or external—will be sufficient to offset the economic and agricultural drain of an unchecked increase in population."*

## Overpopulation: Dilemma for U.S. Aid

By THOMAS E. DOW, JR.

*Assistant Professor of Sociology, Mount Holyoke College*

IN JULY, 1965, world population reached the level of 3.3 billion. The significance of this figure is not self-evident. Its meaning can be grasped only when it is considered in historical perspective. When this longer view is taken, one can see that the present total of 3.3 billion is not the result of gradual and stable growth over the centuries, but is instead largely the product of a revolutionary increase in the rate of population growth in the last 125 years. Thus, it took tens of thousands of years to reach a world population of 1 billion (by 1830). Thereafter, billions were added, or are anticipated, as follows:

|           |      |
|-----------|------|
| 2 billion | 1930 |
| 3 billion | 1960 |
| 4 billion | 1975 |
| 5 billion | 1985 |

<sup>1</sup> The United Nations estimates that the world death rate was 26 before World War II, 19 in 1955 and is today 16. The range is from 10 to 30 in underdeveloped areas, and from 8 to 12 in the developed states. (These rates refer to the annual number of deaths per 1,000 total population. Birth rates are computed on the same basis, i.e., the annual number of births per 1,000 total population.)

The reason for this acceleration is comparatively simple. After centuries of futile effort, man finally developed the skills necessary to reduce the death rate. Such techniques were first evolved in Western Europe, and are today becoming universal in their application. In short, the death rate—which fell first in Europe in the nineteenth century—is today falling all over the world.<sup>1</sup> Unfortunately, there has not yet been a similar global reduction in fertility; fertility declines in Western civilization—at present, annual birth rates range from 16 to 22 per thousand—have not yet spread to Asia, Africa or Latin America, where annual birth rates still range from 35 to 50 per thousand. In global terms this results in an annual world birth rate of 36 and an annual world death rate of 16. The difference between the two is the rate of natural increase, which in this case means that world population is growing annually by 20 per 1,000 or 2 per cent. If this rate were to be sustained, world population would double every 35 years and would soon reach astronomical proportions.

Furthermore, the rapidly expanding world

population is not evenly distributed globally, and it is growing far more rapidly in some regions than in others. Such regional differences in population size and rate of growth may be relevant and perhaps even decisive in conditioning social and economic development. The two worlds—of rapid and less rapid population growth—are described and analyzed with this question in mind.

First, we must anticipate an even greater unevenness in the distribution of world population between the two areas. At present growth rates, there will be an increase in global population of 4.1 billion by the year 2000. High fertility regions—Asia, Africa and Latin America—will probably receive over 85 per cent of the increase and as a result will contain roughly 80 per cent of the world's population by the end of the century. Table I suggests this distribution.

It is not merely numbers, however, that distinguish the high fertility or rapid growth countries from the West; it is also the great social and economic differences which exist between the two worlds. If we take income as one measure, we find that the per capita gross national product (GNP) in the United States and Western Europe is roughly \$3,000 and \$1,575 respectively, as compared with \$300 in Latin America, \$135 in Africa and \$126 in Asia. To make matters worse, the per capita gap between "have nations" and "have-not nations" is increasing. The same story can be told with regard to the consumption of food and the use of non-human energy. In the former instance, one may contrast an average Western diet of 3,000–3,200 calories with an average Eastern diet of 1,700–2,200 calories; in the latter case, a ratio of roughly 30:1 exists in the per capita consumption of non-human energy between, for example, the United States and Asia.

If to these items are added the elements of general political instability, large-scale illiteracy and chronic ill health, one begins to get a picture of the factors which converge in a high fertility country and which, conversely, are either absent or vastly improved in the low fertility regions of the West. The specific relationship between these factors and

population growth remains to be considered. If, indeed, it can be established that the social, political and economic aspirations of a people are being largely frustrated by the size and rate of growth of their populations, then one can legitimately speak of their country as being overpopulated. In this case, an appraisal of the specific population policy of the United States would be in order. If it is true that the United States cannot endure as an "island of prosperity in a sea of poverty" and if rapid population growth in the less developed nations is one of the key variables maintaining this economic distinction, then the implications for American aid are obvious.

### POPULATION AND ECONOMIC DEVELOPMENT

With Western assistance, the less developed nations are trying to achieve a rapid improvement in their standard of living. To date, the United States has made a substantial financial commitment to this effort. We have thus far extended over \$40 billion in non-military economic aid to the emerging nations, with an average expenditure of \$3 billion per year since 1960. While it is difficult to compute, it is generally accepted that even this annual appropriation does not exceed .5 per cent of the American GNP. In short, our effort has been less than massive and this is perhaps due in part to the fact that the results so far have not been very encouraging.

Annual income in the less developed nations was raised from \$90 per person in 1950 to \$100 per person in 1959, that is, individual income increased by roughly \$1 each year. During the present decade, it was hoped that an increase of \$3 per year would be possible. So far this has been a forlorn hope. Obviously, more aid is necessary. It is difficult to say precisely how much will be required to achieve a \$3 or even a \$2 improvement in annual per capita income. Estimates of this need range from \$10 billion to \$50 billion per year.

Actually, it is not merely a matter of more foreign aid. It is more a question of what the



**Table 1: World and Continental Population Estimates (in millions)**

| Year | World | Africa | Asia  | Northern<br>America | Latin<br>America | Europe | USSR | Oceania |
|------|-------|--------|-------|---------------------|------------------|--------|------|---------|
| 1965 | 3,308 | 311    | 1,842 | 215                 | 248              | 443    | 234  | 17      |
| 2000 | 7,410 | 860    | 4,401 | 388                 | 756              | 571    | 402  | 33      |

Source: World Population Data Sheet, Population Reference Bureau, December, 1965.

present amount or any amount of aid is or is not able to accomplish given the problems of population growth which these countries face. In short, one must recognize the retarding impact of rapid population growth on economic development, for it is the burden of supporting so many new people each year that tends to wipe out hard-earned economic gains. Thus, if there is more to share—i.e., if the economy is growing—there may also be more people to share it, so that the individual is no better off than he was before.

The Aswan Dam experience may be cited as a dramatic example of this. By the time the dam went into operation there were so many more Egyptians to share its benefits that they turned out to be no benefits at all. The individual improvements the dam could have provided were simply swallowed up in a sea of people. And so it is the relationship between the rate of population growth and the rate of economic growth which is crucial for individual advancement. How then are a people to improve their lot, and what specific obstacles does a high rate of population growth place in their way?

We know that a nation develops its economy by putting some of its current income aside for purposes of reinvestment. Foreign aid can supplement this process of domestic saving but it cannot replace it. Developing nations must inevitably make a major contribution to their own progress. Unfortunately, when population is growing rapidly it is almost impossible to promote local or individual saving. Obviously, a man with five or six children—living in a nation where the annual per capita income is \$100—is already at a subsistence level. Under these conditions, saving would require a further reduc-

tion in this marginal existence. Multiplied a millionfold, this represents the dilemma of a country in which a rapidly increasing population is eternally clamoring for food, clothing, shelter, medicine and education—and when these are provided, there is very little left for saving and economic investment. If, on the other hand, the birth rate were sharply or even moderately reduced, there would be fewer people to share present wealth and soon, through increased saving and investment, there would be more wealth to share.

Fortunately, the significance of this connection—between economic development and population growth—is now more or less acknowledged throughout the world. In describing his own country, Ambassador M. M. Maharoor of Ceylon touches on the essential problem facing all emerging nations:

In recent years . . . we have been able to achieve a rate of increase in the gross national product ranging from 2 to 5 per cent. But against this must be placed the fact that Ceylon's population has been increasing . . . at an average annual rate of about 2.8 per cent making it very difficult to achieve a significant increase in per capita incomes.<sup>2</sup>

There is also evidence that the United States is beginning to realize that the less developed nations cannot achieve rapid economic progress in the face of explosive population growth. This recognition has gradually begun to influence the character and intention of American policy and because of this there is some reason to believe that our future foreign aid will be more effective, in the sense that it may come to support population control as an integral part of economic development.

The problem of economic development is academic if a nation cannot feed its people. Thomas Malthus spoke in 1798 of the ten-

<sup>2</sup> Population Reference Bureau, *Population Bulletin*, February, 1963, p. 10.

dency for population to grow more rapidly than the supply of food. Today, 168 years later, this seems to be happening: "the less-developed world is losing the capacity to feed itself."<sup>3</sup> At this moment, 1.7 billion people are close to starvation. This is the ultimate threat implicit in the commonplace statement that two-thirds of the world's people go to bed hungry every night.

### ECONOMIC PARADOX

It is true that world food production has increased significantly since World War II but, unfortunately, in many regions it has not increased so rapidly as population. This creates the paradox that in spite of greater food production people may actually have less rather than more to eat. For example, the less developed nations increased their grain production by 42 per cent between 1938 and 1960 and yet their population grew even more rapidly, so that in the end the individual's share of grain was three per cent less in 1960 than it was in 1938.

Contrast this with the situation in the developed world, where grain production in the same period increased by 51 per cent; in this case, because population was growing at a slower rate, the result was a 26 per cent increase in the grain available to each individual. In the years since 1960, the same trend has continued in both regions, that is, the developed world is producing food more rapidly than people, while just the opposite condition prevails in the emerging nations. Specifically, per capita food production, since 1961, is down 2.8 per cent, 3.0 per cent and 3.9 per cent in the Far East, Africa and Latin America respectively.

To gage the seriousness of this we may refer to the appraisal offered by Professor Raymond Ewell that "if present trends continue, it seems likely that famine will reach serious proportions in India, Pakistan and

China in the early 1970's, followed by Indonesia, Iran, Turkey [and] Egypt . . . within a few years. . . ."<sup>4</sup>

Faced with this grim prospect, the immediate problem is clearly agricultural; namely, how to increase the supply of food. Certainly, a great deal can be done, but we must not confuse what is theoretically conceivable—farming of the ocean or the Arctic—with what is practically attainable; nor should we make the mistake of imagining the situation if the whole world produced food as effectively as Japan or the Netherlands, for in fact the emerging nations are not now that efficient nor will they be so in the foreseeable future.

With these cautions in mind, we may turn to the actual prospects. Underdeveloped areas can increase the land being cultivated, but this has its limits. Such arable land is not in abundant supply and the attempt to increase acreage may result in the farming of marginal land at excessive cost. The other possibility is to increase the yield of land already being cultivated. Here too there are major problems. An increase in output cannot take place in an economic vacuum; it requires, for example, a reasonable level of literacy among the farmers, a substantial amount of capital to finance inputs, e.g., for fertilizer, machinery, and so forth, and a generally well-developed economy that will be able to supply the chemical techniques and mechanical means necessary for scientific agriculture.<sup>5</sup>

In view of these limitations, one frankly wonders how a world population expanding at the rate of 65 million people per year is to be fed. Indeed, at this rate of growth, agricultural output will have to triple by the year 2000 merely to provide a modest diet for all, and there is very little prospect of its being able to do so.

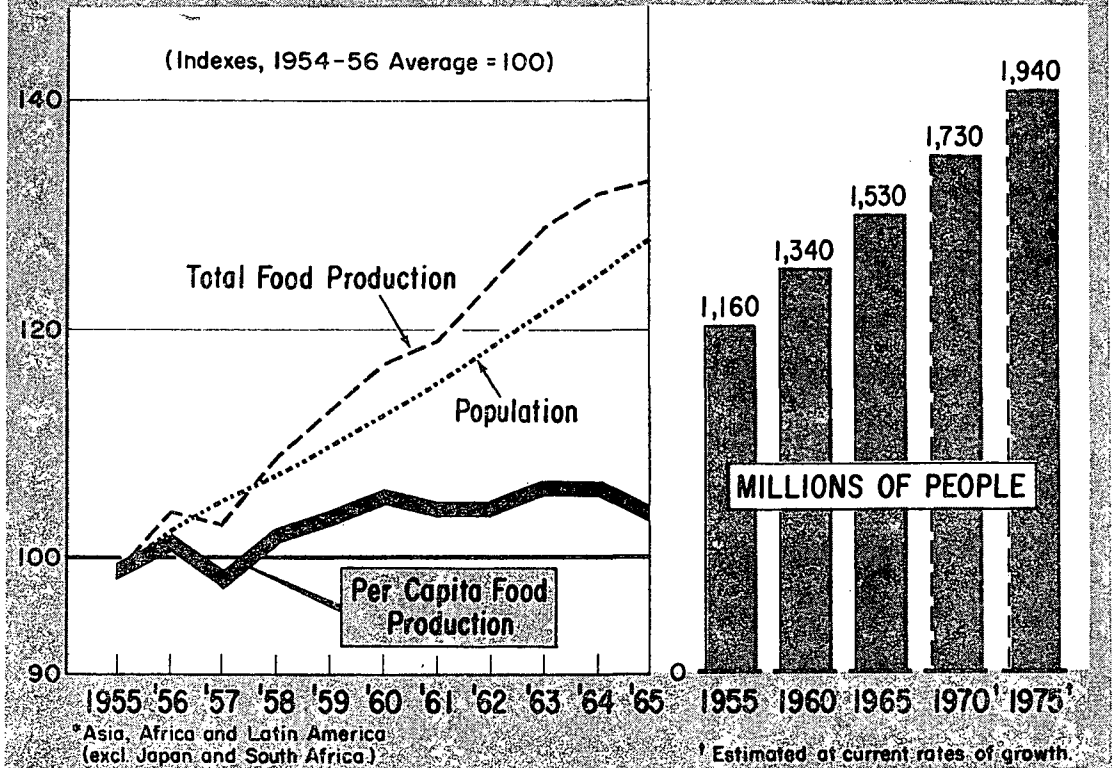
In response to this challenge, the United States set up the "Food for Peace" program in 1954. Since then, \$12 billion in food has been sent to the developing nations. Regrettably, this food has not turned the tide and in fact has merely allowed more people to live in conditions of poverty and malnu-

<sup>3</sup> Lester R. Brown, "Population Growth, Food Needs and Production Problems," in *World Population and Food Supplies 1980*, (Madison, Wis.: American Society of Agronomy, 1965), p. 7.

<sup>4</sup> Population Reference Bureau, *Population Bulletin*, December, 1964, p. 206.

<sup>5</sup> Brown, *op. cit.*, pp. 3-21.

## FOOD and POPULATION GROWTH in the Less Developed Countries\*



—This chart is reprinted from *Proposed Economic Assistance Programs FY 1967*, a publication of the Agency for International Development issued in March, 1966.

trition. Recognizing this, President Lyndon B. Johnson now speaks of a "Food for Freedom" program in which we would send our food only to those countries making a real effort to improve their agriculture. In launching this program, the President warned that "the time is not far off when all the combined production . . . of all the agriculturally productive nations will not meet the food needs of the developing nations—unless present trends are changed."<sup>6</sup>

But what trends must be changed, and how? Obviously, we must make every effort to develop the agriculture of the emerging

world and to transfer as much food to this area as is required to prevent the outbreak of famine. Yet this in itself will not be enough, unless we recognize—as President Johnson suggests—that no conceivable increase in food production will be adequate in the face of present population growth. The future is actually clear: "Unless birth rates decrease within the relatively near future, food requirements will exceed the most optimistic estimates of production capacity and population will be stabilized by increasing death rates. . . ."<sup>7</sup>

Dr. Binay R. Sen—Director General of the Food and Agricultural Organization—reached essentially the same conclusion: "The next 35 years . . . will be . . . a most critical period in man's history. Either we take the fullest measures both to raise productivity and to stabilize population growth, or we will face disaster. . . ."<sup>8</sup>

<sup>6</sup> Lyndon B. Johnson, as quoted in *Life*, March 18, 1966. For excerpts from the legislation establishing the food for peace program, see *Current History* July, 1966, p. 46.

<sup>7</sup> L. A. Richards, "Forward," in *World Population and Food Supplies 1980*.

<sup>8</sup> Binay R. Sen, as quoted in *Population Bulletin*, May, 1965, p. 36.

## THE U.S. AND POPULATION CONTROL

If, then, both economic and agricultural development in the emerging nations is being limited by expansive population growth—to the extent that such growth has largely neutralized our direct aid in these areas—then we must examine what the United States has done or is doing to help in the control of such growth.

In 1959, the Draper Report recommended that the United States include population control in its foreign aid program. President Dwight D. Eisenhower's reaction was typical of the official attitude which existed at that time:

This government . . . will not . . . as long as I am here, have a positive political doctrine in its program that has to do with this problem of birth control. That's not our business.<sup>9</sup>

Since then, we have come a long way.

In 1962, the United Nations debated the question of population growth and economic development. In connection with this debate, Richard Gardner—deputy assistant secretary of state—made a policy statement for the United States. The major innovation in his address was the following:

While we [the U.S.] will not advocate any specific policy regarding population growth to another country, we can help other countries, upon request; to find potential sources of information and assistance on ways and means of dealing with population problems.<sup>10</sup>

Actually, the United States was not yet ready to stand behind this invitation, and from 1962 until 1965 our official action was limited to helping other governments find out more about their populations; e.g., we cooperated with them in census projects, statistical training programs and physiological research.

In 1965, the entire picture began to change. The first development was President Johnson's promise—in his State of the Union

Message—that he would “seek new ways to use our knowledge to help deal with the explosion of world population. . . .”<sup>11</sup> This promise was quickly kept. On February 23, 1965, the United States initiated a new population policy. In effect, the Agency for International Development (AID) was instructed to entertain requests from other nations for technical and financial assistance in family planning programs. As yet, the requests have been few and the expenditures small, but this was a start and represented a radical departure from the previous “hands-off” policy. If nothing else, it served to create a favorable atmosphere for the changes that were yet to come.

By the middle of 1965, there were further developments. In the judicial branch, the Supreme Court struck down the Connecticut birth control law; in the executive branch, Secretary of the Interior Stewart Udall offered federally-supported family planning information and services to the American Indians and other wards of the government; in the legislative branch, Senator Ernest Gruening introduced the first population bill—S.1676—in American history. The bill calls for the establishment of an Office of Population Affairs in the Department of State and another in the Department of Health, Education and Welfare. Each office would be responsible for research, planning and implementation of population policy at home and abroad. If this bill were to pass, it would create the administrative machinery necessary to help emerging nations in their programs of population control.

It is interesting to note that when open hearings were held concerning this bill President Eisenhower testified in its favor. His statement suggests that he has come to accept the fact that our government will have to play an active role in helping underdeveloped nations stabilize their population growth:

If we [in the U.S.] now ignore the plight of . . . unborn generations which, because of our unreadiness to take corrective action in controlling population growth, will be denied all expectations beyond abject poverty and suffering, then history will rightly condemn us.<sup>12</sup>

<sup>9</sup> Dwight Eisenhower, as quoted in *Population Bulletin*, May, 1965, p. 25.

<sup>10</sup> Richard M. Gardner, “Population Growth: A World Problem,” *Department of State Publication* 7485, January, 1963, p. 9.

<sup>11</sup> Lyndon B. Johnson, as quoted in *Population Bulletin*, May, 1965, p. 18.

<sup>12</sup> Dwight Eisenhower, as quoted in *The New York Times*, June 24, 1965.



Carrying this momentum forward, the Administration requested \$10 million in its new foreign aid bill to help other countries curb their population growth. This marks the first time that any administration has ever specifically requested funds for such a purpose. There are also strong indications that this amount will gradually be increased to \$20 million over the next few years.

In view of this, we may conclude that the United States has recently evidenced a greater official recognition of this tremendous problem, and further, that our actions suggest an increasing willingness to consider our foreign aid as at least a partial tool for meeting the population problems of emerging nations. On the other hand, our actions so far have actually been so limited that they cannot be thought of as anything but symbolic gestures of good intentions. Given the conditions they seek to remedy, existing programs are Lilliputian in size.

### PROSPECTS

Considering present conditions in the underdeveloped world, one should not expect miracles. The passage from ox-cart to steel mill will not be accomplished overnight; yet a significant rate of advance is possible if such development does not have to compete with explosive population growth. Should population stabilization fail to take place, however, we should realize that no amount of effort—either internal or external—will be sufficient to offset the economic and agricultural drain of an unchecked increase in population. Recognizing this, the emerging nations have begun to take appropriate action.

In many high fertility countries, serious attempts are being made to slow down the rate of population growth. Major birth control programs have been launched in Korea, Taiwan, India, Pakistan, Turkey, Tunisia and Chile, and similar efforts are planned in the United Arab Republic, Malaysia and Ceylon. As yet, we cannot establish the fact that fertility has declined in any of these countries as a result of these efforts; yet we are confident that such evidence will be available—concerning at least Korea and

Taiwan—by the end of this year. In part our optimism stems from the fact that new and available birth control methods seem well suited to the needs of the emerging nations. The IUD (intra-uterine device) in particular—a cheap, simple, reliable and reversible method—has been adopted as the basic form of control in most of these programs. To date, this has been very successful.

All this, however, is merely a beginning and, in terms of the money being spent and the people being reached, a very small beginning. At present, few if any programs are of sufficient scale to make a serious dent in the local birth rate. To accomplish this, a much greater effort within the country and also a vastly increased flow of assistance from abroad will be required. In examining the prospects for such increased support, we may safely assume that the future population policy of the United States will be of crucial importance. In trying to anticipate what this policy will be, one must return to our present national frame of mind.

Initially, we apparently now recognize that our hopes for political stability and economic prosperity in the emerging world depend on the effective control of population growth in this area. We also acknowledge that such control is desired by both the people and the governments of these nations and, finally, we are aware that recent advances in contraception make such large-scale control possible. In view of this, one would assume that we are prepared to do whatever has to be done to meet the crisis of explosive population growth, and yet we allocate only \$10 million for population control as opposed to the \$100 million annual appropriation recommended

*(Continued on page 115)*

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Thomas E. Dow, Jr. has done a considerable amount of research in the field of population studies. He is presently examining population trends and fertility patterns in Kenya, under a grant from the Asian and African Studies Program of Mount Holyoke, Smith, Amherst and the University of Massachusetts.

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*This economist believes that "foreign aid is an indispensable external factor in stimulating the internal transformations on which development [of poor economies] depends"; but he believes that the success of foreign aid "turns very specially on the willingness of the rich economies to create an international environment responsive to the needs of the poor economies."*

# The Needs of Underdeveloped Economies

By KARL DE SCHWEINITZ, JR.

*Professor of Economics, Northwestern University*

**M**OST FAMILIES in the world live in poverty, with a cash income of less than one hundred dollars a year. In China, Indonesia, Ceylon, and India; in Ghana, Liberia, Egypt, and Uganda; in Honduras, Guatemala, Peru, and Bolivia, the life chances of a child at birth are not bright. He will subsist on rice, sorghum, millet, or some coarse grain and seldom eat meat and other high protein foods; he will live in a crude shack or hut filled with siblings rather than furniture; he will be illiterate; and throughout his relatively brief life he will be beset by disease, unemployment, and natural disasters which surpass his understanding and confirm time and again his belief that the world is capricious and uncontrollable.

The poverty of Asia, Africa, and Latin America has become a major world problem but not because it is something new. On the contrary. For the past two centuries, however, a small group of nations in the middle latitudes of the northern hemisphere have been demonstrating that, far from being capricious and uncontrollable, the physical world may be systematically developed for human ends. Poverty no longer need be regarded as the inevitable fate of mankind.

To be sure, it has taken a long time for this attitude to permeate the world. When the industrialization processes were initially stirring in England towards the end of the eighteenth century, no one anticipated a signifi-

cant improvement in the condition of the common man. It was assumed that by virtue of their status workers could receive little more than subsistence. And when in the nineteenth century the material payoff of industrial development began to cast doubts on the validity of the iron law of wages, there was little inclination to believe that such benefits as workers might receive would extend beyond the Western world. The countries of Asia, Africa and Latin America were viewed as colonial areas appropriate for meeting the market and logistics needs of the industrializing West, and perhaps as proper subjects for the evangelizing mission of Western civilization, but certainly not as independent centers of growth and development capable of overcoming the impoverished human condition.

Only in very recent times has there been widespread acceptance of the notion that the poor economies of the world should mobilize their resources to solve the problems of poverty. Because a succession of world wars sapped the vigor of Western colonial systems and the democratic and socialist ideologies accompanying industrialization roused the Asian and African peoples against their subservient status, nationalist revolts have thrust upon the world a new group of states that articulate interests long submerged in imperialism. Jawaharlal Nehru, Gamal Abdel Nasser, Sekou Touré, Mao Tse-tung, and the

other leaders of these revolts symbolize the aspirations of the formerly colonial areas for an end to the poverty that the West first demonstrated could be overcome.

### **BARRIERS TO DEVELOPMENT**

It is one thing to aspire to a higher standard of living; it is quite another to organize society for its achievement. In a world that has been dramatically made smaller by technological changes in transportation and communication, an awareness of the benefits of adequate housing, varied and dependable supplies of food, competent medical services, steady employment, leisure goods, education and social security is readily transmitted to the poor societies. The techniques, knowledge, skills, and aptitudes that have made possible the production of these benefits, however, are not so easily transmitted. The so-called demonstration effect has a lop-sided impact on poor countries—it expands consumption values more rapidly than production values.

The disequilibrium between consumption aspirations and production capabilities in the underdeveloped economies points up the special difficulties of being poor in mid-twentieth century. For these economies are being asked to compress into a generation a process that in the older economies has taken centuries. If output is to grow more rapidly than population, there must be an increase in inputs (land, labor, and capital) per capita or changes in technology which increase output per unit of input. But to increase the supply of inputs or to introduce technological change into an economy involves alterations in highly complex and interrelated behavioral patterns.

In order to accumulate capital, for example, resources must be saved—that is, withheld from consumption—and invested—that is, allocated to the production of plant and equipment. But a poor or subsistence economy may be expected to consume a very large proportion of its output, leaving only a small margin for saving. How then can a society induce people, who need every bit of current output to maintain their meager livelihood, to refrain from consumption? And since

subsistence economies are agrarian and dependent upon time-honored traditional techniques of production, where will the entrepreneurs and engineers capable of building and operating industrial assets come from? Moreover, who will make industrial workers, with their special skills and their acceptance of the temporal and impersonal discipline of machine processes, out of peasants—for whom work is primarily a social institution dominated by the seasons and the ritual and familial needs of the tribe, clan or village? However one approaches the problem, one realizes that the acceleration of growth in economies that hitherto have been growing very slowly, if at all, requires a refurbishing of basic behavioral propensities, the development of unfamiliar concepts of responsibility, and the acceptance of new standards of achievement.

Under the very best of circumstances, the sense of urgency in the underdeveloped economies would very likely be frustrated by the slow rate at which societies can acquire the skills, aptitudes and drives essential for growth. But today the relationship between the rich and poor nations raises additional problems for the latter. These can best be appreciated if we first briefly consider the manner in which industrialization was transmitted in the nineteenth century from the center of growth in England to the underdeveloped North American continent. The expansion of the cotton textile industry in England and the consequent increase in the rate of urbanization raised the demand for primary products—raw cotton and grain—far beyond Britain's capacity to supply them.

A market was thus created for output that America was peculiarly well endowed to produce. Yet this opportunity could not have been exploited so effectively had there not been capital movements and labor migrations from England to America. These made possible the construction of harbors, canals, railroads, and generally the overhead facilities needed for opening up new areas of primary agricultural production and making them accessible to the world market. And with the growth of the real capital stock and the increase in the supplies of entrepreneurs, engi-

neers, mechanics, and semi-skilled workers, America was better able to initiate its own center of industrialization around the middle of the nineteenth century. Trade, capital, and population movements had complemented one another in transmitting the industrialization impulse across the North Atlantic.

### MIGRATION TODAY

Today this transmission mechanism is not so vigorous as it was in the nineteenth century. Population is not migrating from Europe and North America to the underdeveloped economies. In Asia the land is already teeming with population and where land is still available, as in some parts of Africa and South America, prevailing political and cultural patterns tend to inhibit population movement. Far from benefiting from a steady infusion of talented settlers from the developed economies of the world, the underdeveloped economies frequently suffer the loss of skilled population. Engineers, chemists, economists, and other highly trained persons who have acquired professional stature through Western education may find that only in the West are there opportunities to use their skills at a satisfactory standard of living. By becoming professionals, they identify less with the values and problems of their own societies and more with the standards, goals, and rewards of their profession. The consequent brain drain deprives the poor economy of precisely the kind of skills that it can ill afford to lose.

If population movements are not especially helpful in developing the poor economies, neither are the demands for primary products arising in world trade. Expanding income and technological change in the advanced economies have tended to reduce the rate at which world demand grows for those commodities in which underdeveloped economies specialize. In the affluent West, consumption patterns shift with rising income, so that households devote an increasing proportion of their expenditures to durable consumer goods and to services (financial, vacation, entertainment, cultural) and a decreasing proportion to food.

Thus, not only does the demand for primary food products grow slowly relative to other output, but the sectors expanding most rapidly are either particularly well suited to technological changes that economize the utilization of raw materials—as in manufacturing—or are not heavy users of raw materials in the first place, as in the services. Moreover, innovations in the chemical and petroleum industries have led to the production of synthetic fibers and substances which have weakened the market for cotton, wool and other natural materials.

The relative decline of the market for primary goods is all the more serious because a poor economy often suffers an unbalanced dependence on a particular crop for earning foreign exchange. The price of cotton is crucial to the economic welfare of Egypt, as is the price of coffee to Brazil and the price of cocoa to Ghana. Not the least of the problems of the recently deposed Premier Kwame Nkrumah of Ghana was the decline in the price of cocoa from 72 cents a pound in 1954 to 12 cents in 1965. This is a dramatic example of a general tendency for the terms of trade to turn against the underdeveloped economies. Because the demand for primary products fails to grow in the same proportion as world income, and because of the greater than proportionate increase in the demand for manufactured output, the ratio of the prices of the goods underdeveloped nations export to the prices of the goods they import declines. Eventually, a given volume of exports therefore represents a decreasing capacity to import.

The effect of the lack of population migrations and the relative decline of trade between the developed and underdeveloped economies has been reinforced by the paucity of private capital movements. In the latter half of the nineteenth century, Britain's annual capital exports, for example, averaged four per cent of its national income and in some years were as high as seven per cent. In contrast, for the past ten years the direct foreign investment and long-term portfolio investment of the United States have not amounted to as much as one per cent of national income.



The extraordinary overseas investment record of Britain in the previous century may be understood in terms of the exceptionally favorable conditions then prevailing for the utilization of private capital. Most—perhaps as much as 60–70 per cent—of the capital was exported to areas of recent settlement, to Canada, the United States and Australia, where vast and rich deposits of natural resources coupled with a highly skilled population bearing the cultural values of the investing society promised a high rate of return. The uncertainties occasioned by political instability and conflict between foreign investors and indigenous populations that might have deterred private capital were thus allayed by the cultural and political affinities between Britain and the capital-importing regions. As for its investments in Asia and Africa, British economic interest was aided and abetted by a formidable imperial system that imposed law and order on local peoples and made possible the construction of the overhead facilities needed to produce and market the primary output that British capitalists were interested in developing.

Today, private capital movements are confined largely to the developed sectors of the world economy. The areas of recent settlement in the nineteenth century have become highly industrialized and themselves exporters of capital. But in the underdeveloped economies there have been momentous changes in the institutional environment that make investment opportunities there seem less attractive than in the wealthier economies. The rise to independence of formerly colonial peoples has increased the uncertainties that private investors like to avoid. The breakdown of Western imperialism has not always been followed by the emergence of political systems capable of maintaining law and order. The turbulent histories of the Congo, Indonesia, or Ghana do not inspire the confidence of private investors. Moreover, the dynamic force of nationalist sentiment in the newly independent states makes the confiscation and nationalization of foreign assets a policy that is hard to resist, even though it is bound to inhibit further investment of foreign capital.

This is not to say that no private capital is being invested in the underdeveloped economies. Even in a region as amply endowed with natural resources as North America, there is a limit to the deposits of petroleum and iron ore that an industrial economy consumes so voraciously. The search for new sources of supply is world-wide and never-ending. Yet the location and development of iron ore and petroleum in poor economies does not insure that there will be a concomitant development of related activities which spread the benefits of growth among the local population. It has not been uncommon for a modern sector—an enclave—to appear in the midst of a traditional economy as the result of the exploitation of natural resources by private capital. Using technically complex equipment that initially cannot be operated and maintained efficiently by local labor, mining companies in Liberia and the Congo and petroleum companies in Saudi Arabia have brought engineers, administrators, and skilled workers from the developed world and have used indigenous labor only for menial and unskilled tasks. From their point of view, the costs of training an adequate labor force—in societies whose educational systems, so far as they exist, are unlikely to turn out students with the relevant skills and aptitudes—are greater than the costs they incur in inducing trained personnel to come from the industrial West.

The consequence for the local economy, however, is that the stimulating impact of the enclave is dulled. Skills and initiative which might have been transferable to other kinds of activities are not learned. Wage and salary payments to the local population are kept to a minimum, holding back the expansion of income and the market demands that accompany it. And since the profits of these ventures will be expatriated, in the absence of an explicit policy to retain them in the producing country, they are not likely to be used for local improvements or capital accumulation. And so the modern and the traditional co-exist; the pipelines of the petroleum companies in the Middle East traverse the camel tracks of the Bedouins.

## FOREIGN AID FOR DEVELOPMENT

What can be done about the difficulties facing the poor economies, and, in particular, what role can foreign aid play? It should be said at once that there is no easy solution to these difficulties and certainly foreign aid is far from being a panacea. As we have already indicated, economic growth in the best of circumstances is a slow-moving process. Moreover, it is an internal achievement that cannot be purchased cheaply by importing allegedly key types of capital like steel mills. There are no magical solutions. An economy will develop only as an ingenious, technically skilled, and hardworking population can learn how to adapt the technology, market organization, and financial institutions most suitable for exploiting its natural resources.

Nonetheless, foreign aid is an indispensable external factor in stimulating the internal transformations on which development depends. As the phrase "revolution of rising expectations" implies, there is no lack of desire for development. Indeed, with the emergence of the newly independent states, there are endless institutional manifestations of this desire. Five-year plans, economic councils, and plan commissions abound, attesting to the dissatisfaction of these countries with their share of world income. Yet, as they try to improve their economic status, they are held back by balance-of-payments deficits. Their own development plans depend crucially on foreign purchases of goods and services that exceed the supply of foreign exchange accruing to them from private capital movements and the export of primary products. By supplying the underdeveloped economy with dollars (or pounds or yen), foreign aid increases its import capacity.

As important as the quantitative effect of foreign aid in offsetting balance-of-payments deficits is its qualitative effect. Any economy has before it different options with respect to how it uses scarce resources, and a poor economy especially ought to select the most productive option. But this is far from being a simple decision. Should a subsistence economy use the foreign exchange made available

to it through foreign aid for importing wheat or rice in the hope of increasing the productivity of an inadequately fed labor force? Or should it import fertilizers that could increase the yields of its principal agricultural crops? Or should it employ foreign engineers to construct a plant capable of utilizing local materials for producing fertilizer? Or should it send its own citizens abroad to universities for training as chemists, agronomists, and engineers so that they can subsequently build and manage fertilizer plants themselves. Each of these options has different economic consequences which take effect over different periods of time. Foreign aid in the form of technical assistance and advisory missions can help make these varying consequences clear to the responsible decision-making authorities in the underdeveloped countries. Further, aid missions can assist in the creation of the governmental, educational, and business institutions which will hasten the day when these societies are capable of independently making the evaluation decisions involved in using scarce resources with maximum efficiency.

This last point needs to be emphasized. Today, the ability of many underdeveloped economies to absorb foreign aid is limited by the rudimentary character of the political institutions through which it must be administered. That is, the poor economies are also politically underdeveloped. Ghana, Nigeria, Indonesia, and South Vietnam, for example, are polities that have not yet gained the kind of acceptance and legitimacy in society which nurtures a tradition of civil obligation and public service. Their governmental bureaucracies are inexperienced and inefficient and, what is worse, have too often been corrupted by men who place their familial or tribal needs above those of the society.

But the success of foreign aid depends on far more than the raising of the standards of public administration in the poor economies. It turns very specially on the willingness of the rich economies to create an international environment responsive to the needs of the poor economies. A muting of military and ideological considerations in the granting of

aid, for example, would give greater scope to economic criteria. Since the start of the cold war, the United States has been largely reactive in its aid policy, directing funds to those countries thought to be bulwarks against communism and withholding them from countries insufficiently hostile to communism. The Alliance for Progress was designed to save Latin America from Fidel Castro just as withdrawal of support from the Aswan Dam in Egypt was intended to punish Gamal Abdel Nasser for his ambivalence towards Soviet Russia.

### INTERNATIONAL ROLE

If these motives become too dominant in foreign aid programs, they breed cynicism in the recipient countries and too great a sensitivity to the political demands of the donor. Fortunately, a growing body of international institutions centered in the United Nations provides a means for minimizing the political and ideological content of foreign aid. The technical experts of the International Bank for Reconstruction and Development are not so bound by the values and the policy goals of a particular nation as is, for example, the Agency for International Development of the United States Department of State. If the wealthy nations become more committed to the economic objectives of foreign aid, it may be anticipated that international institutions will play a greater part in administering it.

However much foreign aid may be internationalized, it will only be a palliative, useful for meeting short-run problems like famine but ineffective in overcoming the barriers to self-sustaining growth, unless the wealthy nations facilitate the integration of the poor nations into the world economy. Aid and trade should be complementary; the former ought to be designed to increase the latter. But this requires that the Common Market countries, the United States, Britain, and other industrial nations attempt to stabilize markets for primary goods and, equally difficult, reduce the trade restrictions against those manufactured goods that the poor economies are peculiarly capable of producing. The logic of foreign aid calls for changing the interna-

tional division of labor; it is inconsistent for the wealthy nations to assist the poor economies while assiduously protecting their industries from any competition that might emerge.

Finally, we may ask why is all this of any concern to the rich nations? Why should we tax ourselves and facilitate the decline of some of our industries to help people who have not been able to help themselves? The moralist will answer that the West is obliged to succor the southern hemisphere because its own development has taken place at the expense of the latter. Industrialization and modernization are Western inventions that do not observe national boundaries. In exploiting the resources of the world the West has set in motion forces that make traditional societies less viable. For example, the West has learned to control the diseases that since time immemorial have destroyed human life. By exporting its medical knowledge, it has let loose upon the world the specter of the population explosion; the delicate equilibrium between population and production is being upset in an avalanche of babies.

For those who find the motives of self-interest more compelling than moral obligation, there is no lack of arguments. Most world trade takes place among the wealthy nations. Raising per capita income in the poor nations makes them in the long run more profitable markets for the output of the industrial economies and, indeed, is the best means for improving opportunities for private investment there. Moreover, the attempt to improve economic prospects in countries that

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*After reviewing Russian aid and its interplay with that of Communist China, this analyst asks, "What lessons are there in all of this for the United States and its aid-giving allies in the West? The first lesson is that foreign aid headaches are not a peculiarly Western malaise. Second, despite their many problems, the Russians have done an outstanding job in many areas of the world. . . . In some cases this is because they have given more; in other cases, it is because they have obtained more reverberation for their ruble."*

## Communist Foreign Aid: Successes and Shortcomings

By MARSHALL I. GOLDMAN

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IT IS DIFFICULT NOW to recreate the feelings of astonishment and concern evoked by the first post-World War II offers of Soviet foreign aid. Certainly the Western world was unprepared for any Soviet effort to woo the developing countries. How could the U.S.S.R. threaten the dominance of Western influence and Western aid-giving efforts when the Soviet Union was so clearly in need of economic assistance itself? Until Stalin died in 1953, the Soviet Union had isolated itself from the rest of the world both physically and ideologically. Russians were seldom seen outside the Communist bloc and few non-Communists were permitted inside. A country was either for the U.S.S.R. or against it (United States policy under John Foster Dulles was much the same). There was no neutral ground. Thus while Stalin was alive, India's Prime Minister Mahatma Gandhi was called a bourgeois nationalist and India an English colony.<sup>1</sup>

Accordingly Russian offers to aid Afghanistan with a loan of \$3.5 million in January, 1954; and a second loan of \$2.1 million in

October, 1954, came as a surprise. Even more unexpected was the announcement that the Russians had agreed to provide a \$136-million loan for the construction of the Bhilai Steel Mill in India. The Russians were challenging Western dominance in what had heretofore been the Western sphere of influence. Furthermore they had intruded in a spectacular way with that most sacred symbol of industrialization—the steel mill.

Quickly, Soviet aid was extended to other former Western colonies in Asia and Africa. As at Bhilai, Russian efforts were impressive in size and almost always catered to the passion of the recipient for an instrument of industrialization or a prestigious show piece.

In contrast, Western aid, especially American, has been less industrial and less spectacular. And the Russians have exploited this difference to some advantage. Western projects frequently have been small in scale and concept and primarily concerned with light industry or agriculture. On several occasions, after Western specialists have rejected projects because they were judged to be uneconomic in scale, the Russians have eagerly agreed to do the requested work. This, the Russians said, proved that the West was actually trying to keep the developing countries

<sup>1</sup> Unless otherwise indicated, documentation for the material and tables that follow can be found in the author's forthcoming *Soviet Aid and Trade to the Less Developed Countries* (New York: Praeger, 1966).



in a state of underdevelopment so that they could not compete in the production of manufactured goods. Moreover, they claimed, it was a way to insure that Africa and Asia would be preserved as a source of raw materials for the NATO countries. However, a more realistic explanation is not that Western firms feared competition but that industrial projects in the developing countries were likely to be unprofitable. Russian evaluation of industrial projects in the Afro-Asian bloc has been considerably more optimistic. This is at least partially explained by the fact that plans for Russian projects both within and without the U.S.S.R. have not used interest on investment as a criterion for judging economic feasibility.<sup>2</sup>

There were also noneconomic reasons why the Russians often would agree to projects just rejected by the West. The Russians have a sense of the dramatic. With an eye to public and political relations, the Russians could always be counted on to make the most of Western conservatism and blunder. Soviet willingness to undertake the construction of the Bhilai Steel Mill was announced after the Indians had almost abandoned hope that the English and West Germans would ever build the steel mills they had been asked to undertake. The Russian action produced an almost immediate response from the West Germans and the English. The result was a three-way international competition that highlighted Soviet efforts. With time, the world came to expect that a political or economic rupture between a Western and a developing country would produce an offer of financial support from the U.S.S.R. The

headlines generated by the timeliness of Soviet loan commitments were supplemented by the worldwide travels of senior Soviet officials from Nikita Khrushchev to Aleksei Kosygin, whose itineraries always included a visit to Soviet foreign aid sites no matter how remote. By 1960, Soviet economic loans were being presented at a rate of approximately \$1 billion a year. In terms of gross national product, this almost equalled the American effort.

The Russians also made deep inroads into the foreign trade patterns of the developing countries. The high price spree of the Korean War, during which the Afro-Asian countries sold their products at record prices, was superseded by a sharp fall in commodity prices. As the demand for such items fell to normal peacetime levels and supplies increased, the developing countries looked about desperately to find some way to spread their goods over a broader base. With astonishing regularity, the Russians rushed in at the last moment to support the market. At the crucial instant they agreed to take Burma's rice, Egypt's cotton, Ghana's cocoa and Brazil's coffee. With all that coffee and cocoa, the Russians apparently decided they also needed Cuba's sugar.

Some observers came to believe that the Russians had added a new dimension to the arena of international competition. In contrast to what we could do, the Soviet government could buy up seemingly unlimited quantities of foreign cotton and sugar even though it produced such commodities in abundance. Russians were able to do this because the Soviet government as an extraordinary economic unit was not concerned about making a profit on every transaction. Thus it could afford to be generous if not charitable, something private firms could not afford to do.

Moreover, with the success of Sputnik, the notion of Russia as a land of peasants in high boots had been supplanted by the image of a technologically superior industrial giant. Concern over the American recession of the late 1950's, and Khrushchev's boast that the U.S.S.R. would reach full communism and material prosperity in 1970 or 1980, tended to make the United States abnormally neurotic

<sup>2</sup> The Russians have charged an interest rate of 2.5 per cent on their foreign loans over the 12-year period for which most of them are extended. However this 2.5 per cent rate is different from the calculation that must be made to determine how large a factory should be. The size of a factory must reflect the size of the potential market and the revenue to be obtained in comparison to inputs and labor. It is also necessary to consider that the resources devoted to the construction of the factory are usually in short supply and are obtained only at the expense of diverting them from some other project which could also use them. By making it expensive to use resources which are not used as efficiently as possible, the interest rate helps to guide materials toward their most productive use.

**TABLE I: UNITED STATES, CHINA AND U.S.S.R. ECONOMIC AID COMMITMENTS, 1946-1966\***  
(in millions of dollars)

|                   | UNITED STATES   |                             | CHINA            |    | USSR                 |              |
|-------------------|-----------------|-----------------------------|------------------|----|----------------------|--------------|
|                   | Total           | Including<br>Food for Peace |                  |    | Loans                | Grants       |
| Afghanistan       | \$ 271          | \$ 62                       | \$ 28            | \$ | 377                  | \$150        |
| Algeria           | 150             | 146                         | 55-60            |    | 228                  |              |
| Argentina         | 653             | 18                          | —                |    | 100                  |              |
| Burma             | 110             | 49                          | 84-88            |    | 10-15                |              |
| Cambodia          | 261             | 2                           | 55-60            |    | 12                   | 6            |
| Ceylon            | 87              | 65                          | 31-41            |    | 30                   |              |
| Congo-Brazzaville | 5               | —                           | 25               |    | 9                    |              |
| Ethiopia          | 130             | 15                          | —                |    | 100                  | 2            |
| Ghana             | 163             | 6                           | 42               |    | 82                   |              |
| Guinea            | 47              | 19                          | 32               |    | 61-85                |              |
| India             | 5,192           | 2,369                       | —                |    | 806†                 |              |
| Indonesia         | 831             | 315                         | 100-108          |    | 367-375              |              |
| Iran              | 798             | 96                          | —                |    | 39                   |              |
| Iraq              | 47              | 19                          | —                |    | 183                  |              |
| Kenya             | 26              | 10                          | 18-28            |    | 3                    |              |
| Laos              | 417             | —                           | ?                |    | 4                    |              |
| Mali              | 12              | —                           | 20               |    | 61                   |              |
| Morocco           | 451             | 179                         | —                |    | ?                    |              |
| Nepal             | 72              | 37                          | 43-71            |    | 3                    | 11           |
| Pakistan          | 2,631           | 959                         | 90               |    | 80-100               |              |
| Senegal           | 15              | 5                           | —                |    | 7                    |              |
| Somali            | 39              | 4                           | 23               |    | 52                   |              |
| Sudan             | 81              | 13                          | —                |    | 22                   |              |
| Syria             | 82              | 62                          | 16-20            |    | 87                   |              |
| Tanzania          | 38              | 16                          | 43               |    | 42                   |              |
| Tunisia           | 396             | 180                         | —                |    | 29                   |              |
| Turkey            | 1,933           | 385                         | —                |    | 168-178              |              |
| UAR               | 943             | 715                         | 85               |    | 821                  |              |
| Uganda            | 15              | 1                           | 15               |    | 16                   |              |
| Yemen             | 35              | 10                          | 44-49            |    | 92                   |              |
| Zambia            | —               | —                           | 5                |    | —                    |              |
| <b>TOTAL</b>      | <b>\$15,931</b> | <b>\$5,757</b>              | <b>\$849-929</b> |    | <b>\$3,891-3,958</b> | <b>\$169</b> |

\* Figures for United States to mid-1964; for China and U.S.S.R. to mid-1966.

† Plus a reported \$800 to be given during the fourth five-year plan.

over Soviet successes and the growing power of the apparent "monolith" of the Communist world. This was the era of the "Ugly American" when Americans could do little that was right. And in fact the Russians did appear to be succeeding almost everywhere.

Whether or not they were seriously heeding the advice of Lenin that the road to London and Paris was through India and Southeast Asia, the Russians had nurtured and become the heroes of the neutralist movement. Soviet aid and trade had made it possible for the emerging countries to assume a stance independent of the NATO powers. Moreover a look at Table I shows that in countries like Afghanistan, Congo-Brazzaville, Guinea, Iraq, Mali, Somali, Syria, Yemen, and subsequently in Algeria and Tanzania,

U.S.-U.S.S.R. competition was not just a standoff; the Russians had committed themselves to a larger dollar volume of aid than the United States. Equally important, much of their aid was imaginative in concept and purposeful in function.

### THE THRILL IS GONE

Although it did not come as a sudden revelation, by late 1961 the Russians had begun to realize that a foreign aid program could bring headaches as well as glory. The Russians found, as other donors before them, that the rapture of the initial aid announcement was soon replaced with the reality and expense of the actual aid deliveries. In 1961, actual shipments rose to an estimated \$140 million, the most ever expended until that time.<sup>3</sup> In 1962, deliveries increased even

<sup>3</sup> See Appendix Table I in Goldman, *op. cit.*

more to over \$180 million, and then to \$220 million in 1963 and to about \$300 million in 1964. It was not just the expense that worried the Soviets. As the projects neared completion, the problems of construction and operation moved from the office and talk to the field and reality.

The Russians discovered that it was not easy to work in underdeveloped countries. Underdevelopment was not just an imperialist plot. Modern construction methods were frequently unsuited for conditions in Africa and Asia. It was generally impossible to search through the yellow pages of the telephone book for a plumber or electrician if native help was required. Most countries had not developed to the point where subcontracting of work was possible. Accordingly, whenever something had to be done, the Russians often found that they either had to do it themselves or train the native workers from scratch. And, once trained, there was still no guarantee of competence.

The Russians also soon learned that tropical conditions required special materials. Soviet equipment normally was not intended or designed for a tropical climate. Inevitably the result was rust and frequent breakdowns. Similarly most sweltering Russian technicians soon longed for the more moderate climate of Moscow.

It was also with some disillusionment that the Russians found that their political supporters in these areas were often economically unreliable. Such mercurial leaders as Sukarno, Ahmed Ben Bella, Kwame Nkrumah, Sekou Touré, Fidel Castro, and Gamal Abdel Nasser had all ridden to power on an emotional wave of revolution. While this brought political and sometimes strategic dividends to the Russians, occasionally it also brought economic chaos. Such leaders all craved excitement and extravagance, not bookwork and abstinence. Who was going to shout, "Grind more wheat," when it was always more exciting to scream, "Crush Malaysia—Morocco—South Africa—the United States—Israel or Saudi Arabia"? Thus the Russians found that despite Sukarno's warm political support for communism, he could never bring himself

to provide the local economic resources required in Soviet aid projects. As a result, despite aid promises to Indonesia between 1956 and 1960 of \$367–\$375 million and actual deliveries of \$50–\$70 million, by mid-1966 the Russians had not been able to complete one industrial project. Indonesia is an extreme case and Russian aid elsewhere has usually been much more successful. But the fact remains that the Russians have had their problems.

Such were the Russian explanations for their failures; the recipients of Soviet aid, however, have slightly different versions. If the Russians cannot solve their domestic industrial and agricultural problems, how, ask critics in Asia and Africa, can the Russians be expected to perform faultlessly abroad? Except for priority space and defense needs, the quality of Soviet goods is a perennial problem. Even the Soviet efforts at Bhilai Steel Mill have come under criticism. Initially the Russians did indeed score some important successes at the expense of the English and Germans. However, in early 1965, some of the Russian equipment at Bhilai broke down. At the same time, the English and especially the German plants moved ahead. Thus the German mill at Rourkela ended the fiscal year of 1966 with a significantly higher profit than Bhilai despite the fact that the German mill involved the mastery of more sophisticated techniques.

To their dismay the Russians discovered that what might at one time work in their favor could also backfire. For instance, the lack of an interest rate calculation had eased the way for the construction of large-scale enterprises. But it soon became obvious in places like Guinea, the Sudan and Nepal that the domestic market was sometimes too small to support such large projects. In like fashion, the speed with which the Russians announced their projects often precluded a thorough feasibility study. On occasion the results were disastrous. The Russians built a radio station outside of Conakry, Guinea, on a hill that turned out to be rich in iron ore and poor in radio transmission. They started to build a superphosphate plant in Indonesia only to

discover there were no phosphate and sulphur supplies available.

Inevitably there came the day of repayment for such projects. Some aid recipients found themselves unable to meet their scheduled debts. Postponements were sought and obtained by Cuba, Indonesia, Guinea, Ghana and Egypt. As might be expected in any creditor-debtor relationship, requests for debt postponement do not always promote the cause of friendship.

Finally, the trade and barter deals which initially promised to provide a stimulus for glutted commodity markets often turned out to be less than glamorous. Like any other economic unit, the U.S.S.R. found it could consume only so much rice, cocoa, coffee, cotton and sugar. Rather than see their over-ambitious purchases rot in Soviet warehouses, the Russians and their East European allies have on occasion resold such commodities for convertible currencies in the Western markets. Thus, despite the fact that there is little sign of domestic consumption, the U.S.S.R. has become the world's second largest purchaser of cashew nuts from India. Some Indians charge that the Russians have transhipped the cashew nuts as they did with some earlier purchases of sugar, cocoa, rice and cotton, ultimately sending such goods to the United States or Western Europe where they are sold for hard currency. As a result the price of these commodities from the underdeveloped nations is not helped after all because just as much is offered on the Western market as before. Moreover, the Indians, for example, end up with rubles and the Russians with dollars. As their supplies of convertible currency diminish, many of the developing countries find it increasingly difficult to buy anything from the West and

they are drawn tighter and tighter into the Communist trading bloc with only rubles to spend and Russian goods to buy.

### CRITICISM AT HOME

In addition to the growing disillusionment among the developing countries, the Soviet government has encountered criticism at home. With their dreams fixed on a cornucopia of industrial abundance in 1970 or 1980, the Russians overlooked some of the day-to-day operating needs of their economy, and, to their amazement, it began to falter. Even their own statistics show a fall in the rate of growth of Soviet national income after 1960.<sup>4</sup> The downturn was evident in many areas from construction to retail sales. It was because of such difficulties that what have become known as the "Liberman Proposals" fell on receptive ears within the U.S.S.R.\* It became increasingly evident that fundamental reforms were going to have to be made in Soviet industry and that more attention would have to be devoted to domestic economic concerns. Perceptive observers in agriculture also predicted trouble. The fact that Russia had to spend almost \$1 billion in foreign exchange for grain in 1963 provided further impetus to those who insisted that Russia attend to domestic needs first.

The pressure to look inward was increased by the natural feelings of self-centeredness that the Russians, like all humans, have. Few people like to see their taxes go for the economic betterment of another country when the standard of living at home leaves much to be desired. These sentiments were heightened by racist reactions among some Russians; tension has sometimes erupted when an African student dated a Russian girl or when Russian students felt that foreign students were receiving larger stipends than Russians and preempting university spaces. Protests by the foreign students only evoked more bitterness from their hosts, the Russians charging that their guests were ungrateful.

That Soviet officials are aware that foreign aid limits their own development is sometimes reflected in public comments. As Khrushchev once said,<sup>5</sup>

<sup>4</sup> Tsentral'noe Statisticheskoe Upravlenie, *Narodnoe Khoziaistvo SSSR 1964* (Moscow: Statistika, 1965), p. 65.

<sup>5</sup> *Moscow News*, May 30, 1964, p. 4. See also his remarks in *Vneshniaia Torgovlia*, August, 1962, p. 5. See also the article by L. Zevin, "Vzaimnaia Vygodna Ekonomicheskogo Sotrudnichestvo Sotsialisticheskikh i Razvivaiushchikhsia Stran," *Voprosy Ekonomiki*, February, 1965, p. 73.

\* Ed. note: Yevsey Liberman, a Soviet economist, proposed changes in the economic planning system.



"When the Soviet Union helps the young developing countries, when it gives them part of the wealth accumulated through its own efforts, it restricts for a time its own opportunities."

Khrushchev went on to say that of course he would have been a bad Communist and a bad internationalist if he had only thought of himself, but the point was clear. Furthermore, while everyone appreciated that the Soviet aid effort had helped to strengthen and widen the base of neutralism, nowhere had it gone beyond that and brought about the formation of a Communist government. If anything, to the extent that Soviet foreign aid strengthened the economy of a given country, that country found itself less subject to political chaos and therefore less likely to fall victim to communism.

### **CRITICISM ABROAD**

In addition to criticism from within the U.S.S.R., the Russians found their foreign aid policy under attack from many of their Communist allies. Just as a steel mill for India was one less for the U.S.S.R., so it was one less for China or Rumania. This was of particular concern to some of the satellites because of what they regarded as Russia's double standard in its handling of foreign aid. In the years that followed the conclusion of World War II, the U.S.S.R. had pressed heavily on the East European countries to obtain economic resources for use at home. By means of reparations and questionable pricing arrangements, the Russians extracted large quantities of raw materials and equipment and provided little compensation. It was only in 1956-1957, after the Polish and Hungarian uprisings, that the Russians embarked on anything resembling a substantial loan program to their Communist allies in Europe.

With the disbursement of large quantities of economic credits to Communist East Europe and China, the Russians began to correct the imbalance. With time, however, new complaints were heard; for instance, that the Soviet Union did not really seek to encourage the industrialization of its allies. It was charged that the Soviet Union wanted

such countries to depend on the U.S.S.R. for their purchases of heavy industrial products. The Rumanians have bitterly complained that, despite Russian willingness to support the construction of steel mills in India, Indonesia, Ceylon, Iraq, Algeria, Iran, and Turkey, the U.S.S.R. did everything possible to prevent them from building their own steel mill at Galaty. Much the same thing happened to Cuba.

Among the loudest critics of such practices were the Chinese. They resented the fact that large quantities of Soviet economic aid and military aid had to be paid for on what the Chinese considered to be unfavorable terms. The sudden withdrawal of about 1,000 Soviet advisers in mid-1960 upset the Chinese even more since this had a very disruptive effect on China's economic growth. It may be true that the Russians did not tie strings to the economic aid they gave the neutralist countries but, in their relations with China, the Russians exercised no such restraint.

As a result of such complaints and frustrations, there apparently was an agonizing reappraisal of Soviet foreign aid. As a result, by the fall of 1961, Soviet aid commitments became unusual rather than usual. A sure sign that Soviet policy had changed was the Soviet inaction in Algeria. In previous years, the announcement of independence in an important and favorably inclined colonial country was greeted by a presentation of Soviet credits, whereas Algerian independence from France in July, 1962, was marked by silence in the aid-dispensing offices of Moscow. The Russians had lost their old punch and sense of timing, and it took 15 months before an announcement of aid was finally made.

### **A RETURN TO AID**

After all this, it is difficult to account for the fact that the Russians did in fact resume their foreign aid program. As more and more projects were completed, as the rate of Soviet economic growth continued to fall and as the dispute between China and the U.S.S.R. became more unpleasant, there

should have been even less activity by the Russians. Instead from about September, 1963, until September, 1965, promises of Soviet aid climbed almost to the historic level of 1960.

There are a number of factors which probably motivated the Russians to resume their foreign aid. First, the Russians had to contend with what might be called the "quick-sand effect." Once a country lends money to another and poorer country it is almost inevitable that there will be requests for supplementary loans "to finish up the work"—withdrawal would only jeopardize the goodwill obtained. Thus, even though the local Soviet economic advisers in the U.A.R. thought it unwise to accede to Egyptian requests for a new loan in mid-1964 and their decision was seconded by the Presidium of the Soviet Council of Ministers, Khrushchev unilaterally granted a new loan for \$227 million. After the successful completion of the first stage of the spectacular Aswan Dam, Khrushchev found himself unable to disrupt the euphoria of the occasion. The Russians faced similar dilemmas in India and Afghanistan. Once in, they found it hard to get out.

A second factor was that, as before, the Russians could not resist some golden opportunities. The reluctance of the United States to finance the construction of the big Indian Steel Mill at Bokaro was too much to resist. Taking advantage of the worldwide publicity created by the American position, the Russians hastened to India's assistance with a loan of \$211 million. Similarly the situation in Algeria became too much of a temptation and a loan for \$100 million was finally presented.

In a similar sense, because of a general weakening of the CENTO Alliance, the Russians suddenly found themselves on improved terms with their southern flank neighbors. Heretofore these countries had resisted Soviet efforts with unyielding solidarity. Led by Pakistan, traditionally hostile Iran and Turkey became more amenable to dealing with the U.S.S.R. and loans to both countries were announced in 1963 and 1964. The June, 1964, loan of \$39 million to Afghanistan

might also be considered as part of Russia's new good neighbor policy.

Whatever effect such considerations had on altering Soviet policy, there was yet another more important reason which in itself could explain any of the loans just mentioned. By mid-1963, the Russians had embarked on a bitter battle with the Chinese for the support of the Afro-Asian bloc. This rivalry ultimately assumed the form of a game with both China and the U.S.S.R. apparently believing that the highest bid would win the desired support. Before describing what provoked such a curious situation, it is necessary to say a few words about the history of Chinese foreign aid.

### CHINESE AID

Early Chinese efforts at foreign aid were directed toward the Communist countries in Asia. Help was provided for North Korea as early as 1953 and was followed with a loan for North Vietnam in 1954. In 1956 and the years that followed, the Chinese also offered loans to Mongolia, Hungary, and eventually Albania. According to the practice of the time, one Communist country would lend money to a second Communist country even though the first was itself a recipient of aid from a third country. Thus Poland, which had received a series of loans after its near-revolution in 1956, offered a loan to Hungary after its uprisings only a few weeks later. Similarly, the poorer Communist countries were encouraged to provide credits to the neutralist countries at the same time that the U.S.S.R. was providing credits to both lender and recipient.

As a result, there was not too much reason for surprise in 1956 when China began its program of foreign aid to countries like Cambodia, Indonesia, Nepal and the U.A.R. Nevertheless, because the Chinese were obtaining so much aid from the U.S.S.R. at the same time, there must have been a sense of rivalry as China and the Soviet Union began to help the same countries. And, as shown in Table II, the Chinese continued to extend their aid throughout the 1950's and early 1960's despite the development of their excep-

tionally serious economic problems at home. In fact, even though there was starvation, the Chinese exported rice to Guinea and Albania as part of their aid program.

**TABLE II:**  
**CHINESE FOREIGN AID PRIOR TO**  
**MID-1963**  
(in millions of dollars)

|           | <i>Loan</i> | <i>Years</i> |
|-----------|-------------|--------------|
| Algeria   | \$5-10      | 1957-62      |
| Burma     | 88          | 1958-61      |
| Cambodia  | 50          | 1956-60      |
| Ceylon    | 26-36       | 1957-58      |
| Ghana     | 20          | 1961         |
| Guinea    | 32          | 1960-63      |
| Indonesia | 50-58       | 1956-61      |
| Mali      | 20          | 1961         |
| Nepal     | 43-71       | 1956-61      |
| Syria     | 16-20       | Feb., 1963   |
| U.A.R.    | 5           | 1956         |
| Yemen     | 16          | 1958         |

But what had been only an implied rivalry broke into open competition in late 1963 and 1964. The general bitterness of the Chinese over Russian foreign aid to non-Communist countries was heightened by a struggle for support prior to the Second Bandung Conference of the Afro-Asian countries. The Chinese were determined to keep the Russians out of the Second Bandung Conference originally scheduled for the spring of 1965 in Algeria by insisting that the Russians were a European, not an Asian, power. If such an interpretation had been thus adopted by the Conference, the Chinese would have been free to promote their policy aims in the neutralist bloc without interference from any other large power. Naturally the Russians wanted to attend the Conference to promote their own cause and to counter the Chinese. In order to win support for their respective positions, the Russians and Chinese sought to win the favor of the various participants by offering them economic credits.

As seen in Table III, there was a rapid stream of new loans from both countries. As a comparison of dates will show, the announcement of a loan by the U.S.S.R. was frequently followed by the announcement of a loan from China and vice versa. This hap-

pened in Afghanistan, Algeria, Congo-Brazzaville, Kenya, Pakistan, Tanzania, the U.A.R., Uganda and Yemen. On one occasion, when the \$100-million loan to Algeria by the U.S.S.R. in September, 1963, provoked an offsetting loan of \$50 million by China in October, 1963, the Russians upped the ante by offering yet a third loan for \$128 million in May, 1964. And the competition between the two countries was not restricted to offers of aid. Mutually derogatory remarks became routine and were used with increasing passion.

### 1965 AND AFTER

The squabbling over who was the most anti-imperialistic and Asian country and the outpouring of economic loans came to a rapid halt after the second and ultimate postponement of the Algerian Conference in September, 1965. The overthrow of Prime Minister Ben Bella of Algeria made resumption of the Conference too embarrassing to contemplate and the idea was abandoned—thus ending the need for competitive bidding between the Russians and Chinese.

The race had been particularly difficult for the Chinese. They simply did not have the wherewithal to implement a major investment program overseas and the Russians did not hesitate to remind the Chinese of this. Reacting to some bitter attacks by the Chinese and North Koreans on the imperialistic nature of Soviet aid, the Russians pointedly noted that out of 100 projects agreed to by the Chinese since 1956, only 8 had been completed by mid-1964.<sup>6</sup> In many cases, such as in Burma and Nepal, the deadline for the completion of the promised work had passed before a shovelful of dirt had been disturbed. In those few cases like Cambodia where the Chinese had managed to build a plywood factory, the quality of the plywood was so bad that there was talk of shutting down the whole operation. In defense of the Chinese, it must be added that the Russians often did all that they could to frustrate China's efforts. The Chinese were forced to renege on their promise to build a cement plant in Nepal because the Czechs, with Russian encourage-

<sup>6</sup> *Izvestiia*, July 12, 1964. p. 4.

**TABLE III: SOVIET & CHINESE LOANS IMMEDIATELY PRIOR TO THE ALGERIAN CONFERENCE**  
(in millions of dollars)

| <i>Recipient</i>  | CHINA       |             | SOVIET UNION |             |
|-------------------|-------------|-------------|--------------|-------------|
|                   | <i>Loan</i> | <i>Date</i> | <i>Loan</i>  | <i>Date</i> |
| Afghanistan       | \$28        | 3/65        | \$39         | 6/64        |
| Algeria           | 50          | 10/63       | 100          | 9/63        |
| Cambodia          | 5-10        | 11/64       | 128          | 5/64        |
| Ceylon            | 4           | 2/64        | 12           | 11/64       |
| Congo-Brazzaville | 25          | 1965        | 9            | 12/64       |
| Ghana             | 22          | 2/64        |              |             |
| Indonesia         | 50          | 1965        |              |             |
| Iran              |             |             | 39           | 7/63        |
| Iraq              |             |             | 140          | 3/65        |
| Kenya             | 28          | 1964-65     | 3            | 1964        |
| Pakistan          | 90          | 7/64-1/65   | 11-70        | 7/64        |
| Senegal           |             |             | 7            | 11/64       |
| Somali            | 21          | 8/63        |              |             |
|                   | 3           | 1/65        |              |             |
| Tanzania          | 29          | 6/63        | 42           | 8/64        |
|                   | 14          | 6/65        |              |             |
| Turkey            |             |             | 168          | 4/64        |
| U.A.R.            | 80          | 1/65        | 277          | 5/64        |
| Uganda            | 15          | 1965        | 15           | 12/64       |
| Yemen             | 28          | 5/64        | 72           | 3/64        |
| Zambia            | .5          | 2/64        |              |             |

ment, refused to supply China with the necessary machinery for the factory. Unable to cope with such sabotage and lacking their own machinery, the Chinese have been forced to concentrate their help on projects where labor can be substituted for sophisticated equipment. This helps to explain the plaintive Chinese campaign for self-reliance among the Afro-Asian nations.<sup>7</sup>

Even though their resource base was incomparably larger, the Russians were equally happy to see an end to the competitive race for support at Algeria. Little if any progress had been made in solving the domestic economic problems. In fact, in 1965, the Russians again found it necessary to import close to \$1 billion worth of grain. Equally important, the new leaders of the U.S.S.R., Kosygin and Leonid Brezhnev, were involved in carrying out a major reorganization of Soviet industry which affected not only the table of industrial organization but the basic nature of the planning and incentive system.

As for Soviet foreign aid, the problems which had been so discomfiting in 1961-1963 were just as bothersome if not more so. The Russians discovered that they had indeed

become a nation with vested interests overseas. Just as the Chinese had charged, the Russians found themselves reacting to some kinds of unrest in the Afro-Asian bloc in much the same way as the NATO powers. The governmental crises in Algeria, Indonesia, and Ghana threatened substantial Russian investments in these areas. In such areas this naturally led the U.S.S.R. to oppose not only counter-revolution from the right, but sometimes also national wars of liberation from the left. On occasion this has proved to be most embarrassing. Just how does the U.S.S.R. mesh the pursuit of good international relations with existing governments with support for foreign Communist parties which are dedicated to the overthrow of those same governments. This has posed special problems where local Communist parties are or have been outlawed. Thus, for example, it has been awkward to justify massive foreign aid to Nasser while Egyptian Communists have been imprisoned or executed.

Russia's heavy involvement in India and its smaller but nonetheless significant role in Pakistan could be viewed as a major stimulus behind Russia's desire for a peaceful settlement of the Kashmir issue. While the Soviet

<sup>7</sup> *Peking Review*, June 26, 1964, p. 10.



efforts at Tashkent reflected many factors including a desire to exclude Chinese influence in these areas, it was also true that a continuation of the fighting between India and Pakistan would have jeopardized India's ability to meet its annual \$47 to \$57-million repayment of previously extended Russian loans. Similarly, the Russians have also found themselves in the middle of the dispute that Somalia has had with Ethiopia and Kenya. The Soviet Union has rendered aid to all three countries and accordingly is criticized by all three for helping the enemy.

More and more Soviet aid problems sound like the same sort of trouble we have been experiencing in the United States. To some extent, a growing realization that the problems are the same has resulted in a new approach to foreign aid in a very few of the Afro-Asian countries. For instance in Afghanistan, Nepal and Ghana there is evidence that attempts have been made to coordinate the effects of American and Communist bloc aid. Sometimes this is done out of mutual fear of the Chinese, sometimes it is done simply because it is realized that such an approach is the best way to help the recipient country. In any case, as long as neither the United States or the U.S.S.R. begins to take the other for granted, such cooperation holds considerable promise for the future—especially from the point of view of the receiving country.

## CONCLUSION

What have the Russians learned from their foreign aid experience? The most obvious lesson is that the benefits to the U.S.S.R. have not been obtained without cost. In the months ahead, it seems likely the Russians will continue to fulfill their past commitments but, because of the costs, will probably not offer many new loans. Russia's first order of business is to solve its domestic problems. Another "round" with China could conceivably provoke another outpouring—but given China's already over-extended stance, this seems unlikely. Moreover whatever aid Russia does offer is likely to be more realistic in scope. Now that the Russians

have decided to use the interest rate in project building, there should be a tendency toward greater pragmatism.

What lessons are there in all of this for the United States and its aid-giving allies in the West? The first lesson is that foreign aid headaches are not a peculiarly Western malaise. Second, despite their many problems, the Russians have done an outstanding job in many areas of the world, often winning their aid widespread praise. In some cases this is because they have given more; in other cases, it is because they have obtained more reverberation for their ruble. It comes as a shock to see that total American aid to India as of 1965 exceeded Soviet aid by a ratio of almost six to one. Informal surveys show that most observers are of the opposite impression. They are equally surprised to discover that the U.S.S.R. has provided less aid to the U.A.R. than has America.

Obviously the Russians have mastered the public relations side of dispensing foreign aid. Their concentration on one or two key projects has paid off. When asked to name a Soviet project, most readers of the popular press can immediately mention the Aswan Dam and some know about the Bhilai Steel Mill. Can anyone name any American project? The absence of such "flagship projects" helps to explain why American aid lacks a positive image. While we have in fact constructed impressive dams on the Volta River in Ghana and at Sharavati in India and a steel mill at Ergeli in Turkey, our projects

(Continued on page 116)

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*As this specialist notes, "European aid in general, with the important exception of West Germany's, has been directed toward newly independent countries with whom the European donor had colonial ties."*

## West European Foreign Aid

By VIRGINIA L. GALBRAITH

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THE INDUSTRIAL COUNTRIES of the world, all members of the Organization for Economic Cooperation and Development (O.E.C.D.), have in recent years contributed \$8.5 to \$9 billion a year to the goal of developing poor and underdeveloped nations.<sup>1</sup> In absolute amount of assistance, the United States leads and provides roughly 60 per cent of the total aid. France contributes 14 per cent of the total, while West Germany and the United Kingdom each contribute about 7 per cent. Other countries, such as The Netherlands, Belgium and Portugal, give smaller absolute amounts but a higher per cent of their own resources. (Table I shows official, government aid for major European countries.)

More than three-quarters of the official aid to less developed countries and to multilateral institutions such as the European Development Fund and the World Bank is offered in the form of grants. The proportion of grants to total aid, however, varies considerably. The United States, France, Belgium and The Netherlands contribute a high proportion of aid as grants for which no repayment in convertible currency is required. Bilateral government grants are provided primarily by the United States and France.

<sup>1</sup> Statistical data used in this article are from the Organization for Economic Cooperation and Development, *The Flow of Financial Resources to Less-Developed Countries, 1956-1963* (Paris: 1964), unless otherwise stated. The O.E.C.D.'s Development Assistance Committee (D.A.C.) has attempted to define "aid" to reconcile conflicting definitions of individual member nations.

The United States also leads in official loans to less developed countries, but West Germany is second, with the United Kingdom third. Government loans are unimportant in the French official program. There has been substantial difference in the terms on which loans have been made by donor countries, but since 1961 a considerable lengthening of maturities and lowering of interest rates ("softening" of terms) on loans by European donors has occurred. The O.E.C.D.'s Development Assistance Committee (D.A.C.) has promoted an awareness among donors of the problems of indebtedness of underdeveloped countries and, as a result, both Germany and the United Kingdom have taken a variety of steps to ease this problem. A few European countries have consistently avoided giving loans. Almost the entire aid program of Belgium, Denmark and Norway consists of official grants. Sweden and Switzerland only recently have switched from an all-grants program to a mixture of grants and loans.

European aid in general, with the important exception of West Germany's, has been directed toward newly independent countries with whom the European donor had colonial ties. France, Belgium and the United Kingdom are conspicuous examples. Aid from a number of smaller European countries has been channeled through multilateral institutional programs and increasingly through consortia for specific countries such as India or Pakistan.

As much as the pressure by the D.A.C. has

**TABLE I**  
**TOTAL NET FLOW OF OFFICIAL FINANCIAL RESOURCES, 1958–1964\***  
 (in millions of U.S. dollars)  
**Selected European Countries**

|                | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 | 1964 |
|----------------|------|------|------|------|------|------|------|
| Belgium        | 23   | 79   | 101  | 92   | 80   | 90   | 80   |
| Denmark        | 5    | 14   | 6    | 7    | 7    | 10   | 11   |
| France         | 884  | 832  | 842  | 943  | 977  | 843  | 841  |
| Germany        | 278  | 337  | 324  | 589  | 427  | 422  | 460  |
| Italy          | 45   | 43   | 75   | 66   | 67   | 64   | 56   |
| Netherlands    | 39   | 49   | 47   | 69   | 91   | 38   | 49   |
| Norway         | —    | 4    | 10   | 9    | 7    | 21   | 17   |
| Portugal       | 1    | 17   | 37   | 30   | 37   | 47   | 63   |
| United Kingdom | 276  | 375  | 406  | 458  | 418  | 414  | 491  |

\* Source: Organization for Economic Cooperation and Development. *Development Assistance Efforts and Policies, 1965 Review*. Report by Willard L. Thorp, Chairman of Development Assistance Committee, September, 1965, p. 127.

been toward conformity and “softening” of aid, however, there are still significant differences among the major European donors’ policies toward assisting underdeveloped countries. The differences among the major European donor countries are considered below.

### FRENCH AID

France has consistently made greater sacrifices for less developed countries than any other nation. She has contributed around two per cent of her gross national product every year, while the United States, the United Kingdom and West Germany have contributed less than one per cent of their respective products in recent years.

French aid is heavily concentrated geographically. In 1963, for example, 94 per cent of her bilateral official aid went to franc area countries. This concentration results from France’s position as a former colonial power which had established close economic monetary and cultural ties over the years with a number of now independent nations primarily in North and West Africa. Together they form a franc area wherein foreign exchange assets of individual countries are held

in francs. Aid to this area has slowly evolved from a policy of Colbertism, whereby the colonies provided raw materials and markets for France. Hence, French aid is still a *pot pourri* of programs, old and new, difficult of generalization. Recognizing the need for rationalization of its aid programs, the French government in 1963 set up a committee under the chairmanship of J. M. Jeanneney to examine critically its aid policy and to recommend principles for its future.<sup>2</sup> *The Jeanneney Report* made many recommendations which have, as we shall see, influenced changes in French policy.

France throughout the 1950’s, prior to the independence of her colonies, provided a wide variety of assistance to these colonies for various purposes. She made grants from the French treasury not only for capital assistance and infrastructure, but also for current budgetary expenditures such as salaries for a civil service paid largely on a par with civil servants in Paris. Cities, such as Dakar and Abidjan, were provided with modern buildings, roads and French schools. But very little capital went into agricultural or industrial projects except for private investment in Algiers. Furthermore, the foreign exchange deficits with countries outside the franc zone were made up by France’s contributions from her own exchange earnings, thereby insuring convertibility for the entire franc zone. These and other forms of assistance were heavy

<sup>2</sup> Ministère d’État Chargé de la Réforme Administrative, *La Politique de Coopération Avec Les Pays En Voie de Développement* (Paris: 1964). This is not available in English, but a summary in English may be ordered from the Overseas Development Institute, 98 Kingston Road, Merton Park, London S.W. 19, England.

charges on the French treasury and were of dubious assistance to economic development in the colonies.

One of the more questionable forms of "aid" given by France, and one that was not classified as aid by the D.A.C. was the guarantee of markets and prices of export commodities of her former colonies. This was accomplished by setting quotas restricting imports into France of products from the rest of the world which were produced and exported to her by former French colonies. Coffee, peanuts, palm oil and seeds, bananas, wine, sisal and other products were assured a market in France by this quota device. France supported the prices of these commodities at levels well above world prices and the French consumer bore the burden. This system gave the colonies considerably more purchasing power in francs than they would have had if forced to sell in world markets at world prices. For example, sisal sold around 30 per cent higher in French than in British colonies, peanuts at as much as 50 per cent more, and palm oil in 1954 was 38 per cent higher than British and Belgian prices.<sup>3</sup> But, in return, the colonies bought their imports from France at higher than world prices. Paquin reports that hard wheat sold by the French in West Africa cost 34 per cent more than Canadian wheat and the price of sugar there was 60 per cent higher than the English price. In general, prices for imports from France were around 25 per cent higher than for comparable imports from elsewhere.

This system was maintained by discriminatory tariffs against imports other than French and, as a result, a number of French industries gained considerably and were able to repatriate their profits to France through the assured convertibility of the franc zone. *The Jeanneney Report* noted that while this trading system clearly benefited exporters it was frequently unfavorable to the country as a whole. Today, under the agreement reached between the European Economic Community

(E.E.C.) and the Associated Members in French Africa, this marketing price arrangement is being dismantled. But still France's support prices give considerable assistance to her former colonies as well as to her own exporters.

Official French aid, as defined by the D.A.C., is overwhelmingly bilateral although France is a large contributor to the European Development Fund of the E.E.C. Most of this aid is financed through the French budget voted by the legislature and is administered by a number of ministries. While the ministry of cooperation is charged with the aid program, it is subject to the ministries of foreign affairs and of finance and economic affairs. Various funds, banks for special purposes, and technical agencies are also involved.

The conditions of aid by France have been traditionally "soft." At least 85 per cent of aid is offered in grants and only 15 per cent in loans. Outside the franc zone loans are given for 15 to 20 years at interest rates of 3 to 3.5 per cent with possible extensions of repayment. Only the United States provides "softer" terms.

The major trend in French aid since 1963 has been an increase in the proportion devoted to technical assistance, primarily to increase the "absorptive capacity" of recipients. France has vastly expanded its assistance in education. More emphasis is also being given to productive capital projects while aid to finance current expenditures is decreasing proportionately. But the French still provide aid to meet budget deficits of recipients and to maintain French technicians in Africa.

So far there has been no large effort to diversify aid geographically, as recommended by *The Jeanneney Report*, because France simply cannot cut off her former colonies. However, France's aid to the franc area is becoming more rational and forms part of a long-term plan. Significant changes can be expected as France moves toward closer cooperation with her partners in the E.E.C. to lend more assistance to the Associated Members. But before looking at these prospective changes we will examine German aid since

<sup>3</sup> These calculations were made by Jean-Jacques Paquin, *Les Relations Économiques Extérieures des Pays d'Afrique Noir de l'Union Française* (Paris: Librairie Armand Colin, 1957).



West Germany is also a member of the E.E.C.—and one with whom France must cooperate.

### WEST GERMAN AID

Before 1960, German aid took the form of loans and subscriptions to multilateral financial institutions such as the World Bank. Between 1957 and 1960, German official expenditures in this form were higher than those of any other donor country. But, in 1960, West Germany began her own formal bilateral aid program. This change was motivated partly by Germany's willingness to assume the responsibilities arising from her resurgent economic power and to take her place among the rich nations of the world, and partly by her own commercial self-interest. Unlike France and the United Kingdom, Germany had no financial or other ties to former colonies and consequently was free to begin her aid program on what she considered rational criteria for development assistance.

The primary principle of German aid at its inception was that public assistance should be given only when projects would not be financed by private investment. This principle derived from a strong belief in the effectiveness of free enterprise and the profit motive in assuring economic development and growth and, in turn, this strong faith in free enterprise stemmed from the spectacular success of private business in rebuilding Germany after World War II.

Criteria for official German aid were deduced from this primary principle. First, aid should be given for specific projects and not to aid a plan of development in general or to cover shortages of foreign exchange. The Germans have felt that by tying aid to projects better results from the use of funds are attained. This method also assured greater control over use of funds by the ministry for economic cooperation since it would select

the projects. The initiative for proposing projects was left to the recipient country, however. Second, aid should be granted for projects which required a sizeable amount of capital equipment and supplies from abroad. The Germans would supply the necessary foreign exchange (and not necessarily German marks) for these purchases, but the recipient country was expected to use its own money for local costs of the projects (wages and local supplies). Third, aid should be granted only to countries showing evidence of sound and stable economic and political bases for development. These criteria were modified by experience as Germany's aid program grew. But they represent West Germany's underlying philosophy of aid.<sup>4</sup>

As for the form of aid, the Germans have preferred loans to grants. This preference was based on the belief that a project, if worthy, should be able to carry an interest charge not too different from the appropriate commercial rate of interest and should be able to repay itself within a commercially reasonable number of years. In practice, the Germans have had to modify considerably this business-like approach to aid and have "softened" their terms on loans more than have the British, but not so much as the Americans.

German aid has been severely criticized both at home and abroad, and as a result striking changes in its application have taken place. First of all, by leaving initiative for projects with the recipient country, many countries without well-formulated plans for development approached the West Germans for aid with mere "shopping lists" of projects, often only vaguely related to needs. Or German firms interested in exports "sold" a project to officials thereby giving German aid an image of commercialism. As a result, the German ministry has found it increasingly necessary to help in the initiation of a project on a technical and economic level. In stressing the foreign exchange content of projects, the Germans discovered that recipient countries often loaded projects with foreign procurement to avoid spending scarce local money. This resulted in the absurdity of

<sup>4</sup> For an excellent discussion of the general policy of German aid see John White, *German Aid* (London: Overseas Development Institute, 1965). Ed. note: see also Wolfe W. Schmokel, "Germany in the Underdeveloped World," *Current History*, May, 1966, p. 281.

buying abroad expensive supplies that could be purchased cheaper in local markets. So the Germans have moved toward aid for local expenditures as well as foreign imports.

Even worse, however, was the early practice of the Germans in helping to build a project and then moving out, leaving it to be operated and maintained by local trainees. These so-called "turn-key" projects were disasters when the local managers and workers were insufficiently trained. As a result, the German aid program has come to emphasize technical assistance along with project aid. Aid for technical assistance has increased since 1961, and it nearly doubled in 1963. Since this aid is given as a grant, the proportion of grants to loans has risen significantly in recent years. Terms for loans have "softened," and the Germans have been consolidating the debts of some countries and lengthening their repayment periods.

India has received by far the greatest amount of German aid because of the nature of the German program. India has had comprehensive plans for development and has been capable of requesting specific projects requiring foreign purchases of capital equipment which mesh with her overall plan. Another reason for the size of capital assistance to India has been Germany's official involvement in the Rourkela Iron and Steel Plant, a major project in India's second five-year plan. This project was begun in 1956 by private German companies under a system of guaranteed export credits which Germany had adopted to promote her own commercial interests. A large number of German business firms, each with a network of subcontractors, entered into an agreement with an agency of the Indian government to build Rourkela on a cash or short-term loan arrangement. Because of a lack of foreign exchange, however, India could not meet these payments to the firms and, as a result, West Germany began in 1958 to grant consolidation credits to India to cover payments due to German contractors. By 1964, the German government had committed in the

neighborhood of \$450 million for this use.

The sharpest increases in aid from Germany recently have been to Africa. Liberia is an important recipient of aid for increasing her raw material exports to Germany. But aid to other African countries is increasing rapidly. Partly this aid is going to Tanzania and Togo with whom Germany had colonial ties before World War I and where some German is still spoken, but aid is also increasing to Ghana and Guinea.

Germany's official aid policy and its execution differ substantially from that of France. This is due both to differences in historical circumstances and to differences in economic philosophies. While France inherited large commitments to her former colonies when they became independent countries, Germany did not. Therefore, Germany had a good deal more freedom of choice in formulating policy and in choosing recipients of aid. While France's economic philosophy, both at home and in her colonies, was based on state protectionism, Germany's was not. Germany's economic philosophy both during and after her own reconstruction was based on private enterprise and profits, unfettered by state intervention as much as possible. Out of these differences have emerged their respective policies for aiding underdeveloped economies. Yet, joined together in the European Economic Community, France and Germany have had to weld a common policy for aid from the Community.

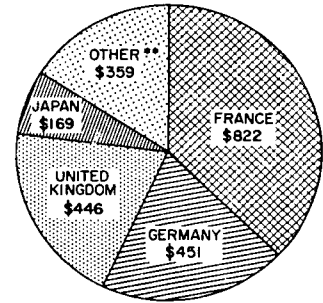
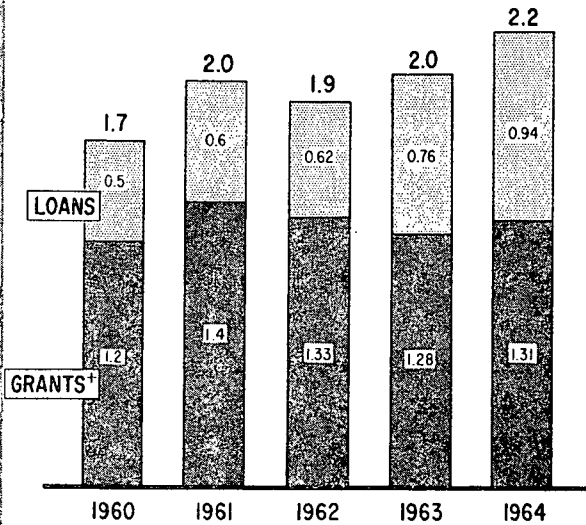
### AID FROM THE E.E.C.

When the Treaty of Rome creating the European Economic Community was negotiated, those member countries having ties with overseas territories insisted upon a Convention of Association with them. The European Development Fund was established as the instrument for financing economic and social development in these associated territories. The E.D.F.<sup>5</sup> is a Community institution maintained by contributions from the six member states which exercise no national control once the contribution is made. During the five years, 1958-1962, the E.D.F. made outright grants to the Associated Over-

<sup>5</sup> Also referred to by its French initials, F.E.D.

## OTHER FREE WORLD ASSISTANCE TO UNDERDEVELOPED COUNTRIES BILATERAL ASSISTANCE FROM OTHER D.A.C. COUNTRIES

Net Official Disbursements\* - Billions of Dollars



DONOR COUNTRIES  
1964 Total ... \$2,247 million

\* Excludes 1-5 Years Loans, and Reflects Receipt of Loan Payments  
+ Includes Grant-like Contributions

\*\* Canada, Belgium, Portugal, Italy, Netherlands, Austria, Norway and Denmark

—This chart is reprinted from *Proposed Economic Assistance Programs FY 1967*, a publication of the Agency for International Development, issued in March, 1966.

seas Members of approximately \$580 million.

In 1962, a second Convention of Association was negotiated with the newly independent countries. This Convention differs significantly from the first. The difference lies primarily in changes in the economic relations between France and her former colonies demanded in exchange for an expanded Community aid program. The new accord provides for a five-year transitional period during which the preferences given to products of the former French colonies will be gradually reduced. There will be a progressive elimination of the price-support system of the French for African products along with the quota restrictions by which France maintained protected markets for these products.

In return for giving up this system, the associated states will receive a larger amount of Community aid than under the previous agreement. The Africans had asked for continuation of the preferences, from which they benefitted, and a financial commitment by E.D.F. of \$1.8 billion over a five-year period.

However, both Germany and The Netherlands demanded the abolition of protected markets and trade preferences and proposed that E.D.F. be given only \$680 million for aid. France asked to maintain preferences and also to give \$1.2 billion to the E.D.F. The compromise reached was: the gradual abolition of protected markets, lowering of preferences and a commitment of \$730 million for aid. Of this \$730 million, the E.D.F. was to have \$620 million for grants and \$46 million for "soft" loans. The European Investment Bank was to have \$64 million for "normal" loans. It was further provided that the E.D.F. could advance up to \$50 million for price stabilization funds of the African states.

Other provisions of the Convention of Association concern trade relations between the Common Market and the Associated Members. A notable arrangement is that all six E.E.C. members are to be given equal treatment in the African states, thus eliminating preferential markets for French products.

**TABLE II: DIVISION AMONG MEMBER STATES OF THE ASSESSMENT TO THE EUROPEAN DEVELOPMENT FUND\***

|             | 1958-1962            |       | 1963-1968            |      |
|-------------|----------------------|-------|----------------------|------|
|             | Amount (in millions) | %     | Amount (in millions) | %    |
| France      | \$200                | 34.4  | \$246.5              | 33.8 |
| Germany     | 200                  | 34.4  | 246.5                | 33.8 |
| Italy       | 40                   | 6.9   | 100                  | 13.7 |
| Belgium     | 70                   | 12.04 | 69                   | 9.4  |
| Netherlands | 70                   | 12.04 | 66                   | 9.0  |
| Luxembourg  | 1.25                 | 0.22  | 2                    | 0.3  |
| Total       | \$581.25             | 100   | \$730                | 100  |

\* Source: *Comité Monétaire de la Zone Franc, La Zone Franc en 1961* (Paris: *Secrétariat du Comité Monétaire de la Zone Franc*, [n.d.]).

This opens the way for lower prices for imports from Europe and hence may operate, in time, to enhance the real incomes of the French African countries. Another provision allows for regional integration among African states and the imposition of tariffs and quotas when necessary for economic development. These provisions may point toward more rational production and exchange among the small countries.

Thus, the Second Convention of Association essentially substitutes direct aid by the Community for the "indirect aid" given in the form of price supports by France. It is a large supplement to French bilateral aid. Furthermore, though calling for world market prices for African products, it retains considerable preferences for those products in the Common Market over those of unassociated developing countries. Table II shows how the new E.E.C. aid is to be contributed by member countries.

Aid from E.D.F. is exclusively in the form of grants. Of a total commitment of \$459 million as of January 1, 1964, one-half was for roads and modernization of rural African areas. The latter category means such projects as agricultural surveys, soil conservation, village water supplies, irrigation and drainage, crop development, stock breeding and agricultural research and training. The third largest sum of money goes for education. A new field of aid in the Second Convention is now being expanded: pro-

grams to promote production and diversification of agriculture.

### UNITED KINGDOM AID

As one might expect, aid for development from the United Kingdom goes overwhelmingly to the Commonwealth countries. However, the fact that 89 per cent of the Commonwealth lives in poor countries while only 11 per cent of its population lives in rich countries makes it impossible for the latter to carry the entire aid burden of the Commonwealth. Of the total bilateral aid going to the Commonwealth, the United Kingdom contributes about 23 per cent while the United States gives about 63 per cent. But if one excludes India and Pakistan—to whom Britain contributed only about 7 to 8 per cent of their aid—the United Kingdom provides 80 per cent of the aid going to the rest of the Commonwealth.<sup>6</sup> However, one of the newer features of U. K. aid is its extension to more non-Commonwealth countries.

The largest single amount of aid disbursed by the United Kingdom is offered in the form of loans under Section 3 of the Export Guarantees Act. These loans are to independent countries both in and out of the Commonwealth. Interest rates on these loans have tended to be high, 6 per cent in 1962 and 1963, but since 1963 the granting of periods of grace on interest in the early life of a loan has resulted in an easing of the average rate. The usual period of maturity has been fairly long—25 years. Some loans have been made for individual projects of

<sup>6</sup> Peter William, *Aid in the Commonwealth* (London: Overseas Development Institute, 1965).



considerable size where the project forms an integral part of a country's development plan, such as the Durgapur steelworks in India. A majority of these loans, however, are made to finance import requirements for general development plans. These loans suffer from the taint of commercial motivation and, even worse from the recipient's point of view, they fail to meet the cost of local procurement since they are tied to British exports.

The second type of loan is made to colonies and trust territories under provisions of the Colonial Development and Welfare Act of 1959. These loans are similar in form and purpose to those Section 3 loans described above, but grants are also made to colonies for purposes of education, roads, health, water supplies and agriculture. In addition, grants are made under the Colonial Grants and Loan Vote that have quite flexible terms and conditions. Each case is considered separately and terms can vary widely by project and by country.

The Commonwealth Development Corporation is a public corporation which borrows money from the United Kingdom treasury at the government's borrowing rate and makes loans or investments in territories or independent Commonwealth countries, often in association with other private or public institutions. Terms, conditions and the form of investment may vary considerably. Finally, the ministry of overseas development provides a number of Commonwealth countries with technicians and administrators from Great Britain through the Overseas Service Aid Scheme.

The major criteria for aid is the need of the recipient and the particular merits of the project or the development program in general. As an example, the United Kingdom disbursed 28 per cent of its bilateral grants and loans for capital projects but 45 per cent for non-project assistance in 1963. The latter represents support of imports for general development programs which the British believe gives greater flexibility to development plans

than aid for specific projects such as the Germans emphasize.

The United Kingdom aid program has had two major drawbacks which are being rectified slowly. First, not enough attention was given to local costs incurred by development projects. This resulted from the United Kingdom's emphasis on its own exports in its aid policy. Second, technical administration has been weak. The Overseas Service Aid Scheme has exported British technicians but they have encountered either divided authority or insufficient authority to administer the aid programs correctly. One of the critics of his government's aid policy, I. M. D. Little, writes:

... it is not clear that aid has been used in ways which have the highest priority for development. Certainly the image of aid is tarnished by donors' competitiveness, by their commercial rivalry, by aid-tying, high interest rates, and occasional political "strings." This certainly does not mean that aid should be given without strings. But the strings should so far as possible be attached solely for the purpose of ensuring that aid assists development. . . .<sup>7</sup>

#### SUMMARY OF EUROPEAN AID PROGRAMS

We have seen the considerable variations in policies for aiding development among the major European donor countries. In general, Belgium, Denmark, France, The Netherlands and Norway make most of their bilateral assistance in the form of grants. The United Kingdom disburses only about 50 per cent as grants while Germany and Italy provide the bulk of their assistance as loans. The United Kingdom and Germany tend toward "harder" loan terms and give no indirect

(Continued on page 115)

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Virginia L. Galbraith is the author of *World Trade in Transition* (Washington, D.C.: Public Affairs Press, 1965); Miss Galbraith's current research is focused on the effectiveness of French aid in West Africa; she spent the summer of 1965 in Paris, Brussels and Geneva on this research, and the summer of 1966 in French West Africa.

<sup>7</sup> I. M. D. Little, *Aid to Africa* (London: Overseas Development Institute, 1964), p. 68.

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*In analyzing various of the regional and international organizations presently involved in helping to meet the development needs of the under-developed world, this seasoned observer finds that, although there are "important differences in their functions, purposes, structure, membership, resources and methods of operation," they also "have much in common—particularly their growing acceptance . . . by both aid-giving and aid-receiving countries." It seems clear, "despite and perhaps because of their diversity," that such agencies are "very much in the ascendancy in the external development aid field."*

# International Agencies for Development

By ARNOLD RIVKIN  
*Staff Member, the World Bank*

I cannot resist quoting to you the remark of Senator [J. William] Fulbright on the Senate floor last week: he said that in his travels around the globe, he had never seen a sign saying "World Bank, go home."<sup>1</sup>

**I**N QUOTING with apparent approval Senator Fulbright's epigram, George D. Woods, President of the World Bank, was taking note of the growing acceptance and, in fact, preference in many countries for development aid from international organizations. Several months later, in July, 1965, Mr. Woods amplified this point when he concluded a statement to a ministerial meeting of the Development Assistance Committee of the Organization for Economic Cooperation and Development (O.E.C.D.) by declaring that:

It is development finance provided through multilateral channels and invested solely on the basis of economic considerations which proves in the long run most beneficial to developing and developed countries alike.<sup>2</sup>

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<sup>1</sup> George D. Woods in "Economic Development: A Moving Target," an address to the Society for International Development, Washington, D.C., March 11, 1965, p. 5.

<sup>2</sup> George D. Woods in "Statement to Development Assistance Committee, O.E.C.D.," Paris, July 22, 1965, p. 10.

It is in the light of such recognition of the growing importance of multilateral development aid that this article considers the international institutions primarily concerned with making development assistance loans, credits, and grants and, in special cases—where the institutions are intimately related—particular programs, such as the Alliance for Progress and the Colombo Plan. These institutions are:

1. The World Bank Group, composed of the International Bank for Reconstruction and Development (the World Bank), the International Development Association (I.D.A.), and the International Finance Corporation (I.F.C.), is the oldest and largest of the international development assistance institutions. It has the broadest coverage, with over 100 members from all the continents of the world, making it truly international in its scope and composition.

2. The Development Fund of the European Economic Community (and for limited purposes, the related European Investment Bank [E.I.B.] as well) is inter-regional or Eurafican in its operations. Its membership is composed of the European "six" (the members of the E.E.C.), but the African "eighteen" (the associated members of the

E.E.C.), for whom the Development Fund was created, have an important influence on its operations.

3. The Alliance for Progress, with its related institutions and the Inter-American Development Bank (I.D.B.), is also inter-regional. It is composed of 19 Latin American states and the United States, thus "inter-regional" in the special Pan-American context which omits Canada.

4. The Colombo Plan, with its related institutions and the Asian Development Bank (with members primarily in Asia, but also with non-Asian members, for example, West European and North American), is inter-regional in the special sense of having aid-giving states from various geographic areas along with aid-receiving states from the vast Asian area participating in the same programs and organizations. The inter-regional character of the Asian institutions is thus different from the special inter-regional European structure of the European Development Fund and the Pan-American structure of the Alliance for Progress and the I.D.B.

5. The African Development Bank is perhaps the purest regional organization in that its membership is confined to African states and it operates only in an African context.

The omission from this discussion of other international institutions, such as the United Nations Development Program, the F.A.O., UNESCO, WHO and UNICEF,\* results both from space limitations and the fact that for the most part they are primarily concerned with technical assistance and preinvestment assistance, whereas the organizations covered in this article are primarily concerned with capital assistance for development.<sup>3</sup>

\* F.A.O., Food and Agricultural Organization; UNESCO, U.N. Educational, Scientific and Cultural Organization; WHO, World Health Organization; UNICEF, U.N. Children's Emergency Fund.

<sup>3</sup> All development assistance institutions also provide technical assistance in one degree or another, to aid-receiving members and associates. See, for example, the address of Geoffrey M. Wilson, Vice-President of the World Bank, "Technical Assistance Activities of the World Bank," delivered to the Institute of Banking and Financial Studies, Paris, June 4, 1964, 16 pp.

<sup>4</sup> In this section, I have drawn on my article "The World Bank in Africa," *Africa Report*, VIII, No. 7 (June, 1963), 13-17.

## THE WORLD BANK GROUP

The World Bank was founded by the Bretton Woods Agreement of 1944 to help restore the war-shattered economies of West Europe and the Far East and to help finance the development of the world's underdeveloped areas, many of which were to become independent in the two decades that have intervened.<sup>4</sup>

In the last decade, the International Bank for Reconstruction and Development has shifted the emphasis in its title from *reconstruction* to *development*; and today, the Bank and its principal affiliate, the I.D.A., have become the principal development bankers of the underdeveloped areas of the world. This new emphasis has coincided, particularly in the last five or six years, with the expanding presence of Africa on the world scene, both politically and as a claimant on world resources—human and material—for economic development. Together, the African nation boom and the expanding nature of the Bank's development role have led to a considerable expansion of the World Bank Group's activity.

A brief description of the character and still-evolving functions of the World Bank and its two affiliate institutions, the I.D.A. and the I.F.C., should help explain why almost all of the newly independent African and Asian countries have opted for membership soon after achieving independence. At the end of 1965, with the accession to membership of Malawi and Zambia, the World Bank's membership totaled 103 countries. The Bank derives its capital from stock subscriptions of its member countries and from selling its own bonds on the world's money markets. The I.D.A. receives its capital from periodic contributions by its aid-giving members. The I.F.C. receives its capital from stock subscriptions of its member countries and from loans from the World Bank.

Traditionally, the World Bank has been largely concerned with financing, on conventional terms, the development of basic economic infrastructure—power, transportation, port facilities and telecommunications. This has meant loans at the going rate of

interest, which in the last several years has varied between 5 and 6 per cent for approximately 20- to 25-year periods, and in a few instances even longer periods, with limited grace periods of three to five years for amortization of the principal of the loans.\*

More recently, the World Bank (and the I.D.A.) have been emphasizing loans for agricultural and educational development. In the words of the president of the World Bank and the I.D.A.:

While the financing of transportation and electric power continued to be our main business [in 1964-65], commitments for agriculture, industry and education increased. . . . I am hoping . . . the expanding trend of operations in agriculture and education will continue.<sup>5</sup>

The establishment of I.D.A. on September 24, 1960, added further flexibility to the types of credit the World Bank could extend and, by the end of 1965, it had a total membership of 96 countries. The I.D.A. provides credits on special or nonconventional terms—credits with maturities which can range as long as 50 years, with extended grace periods for amortization of principal which might last as long as 10 years, and with nominal interest rates or with no interest payments at all. In fact, all I.D.A. credits extended as of early 1966 have been totally without interest, with a service charge less than 1 per cent.

The second affiliate of the Bank, the International Finance Corporation, established July 20, 1956, had at the end of 1965 a total membership of 80 countries. The I.F.C. seeks to stimulate development of the private sectors of the economies of member countries. It does this primarily through participation in new equity investments along with indigenous and foreign investors, and through provision of loan capital in participation with other

financing sources, including the World Bank.

In addition to giving its lending activities added scope and involving itself in such aspects of economic development as agricultural modernization and school building and encouraging the growth of the private sector through the equity investment activities of the I.F.C., the World Bank has also significantly expanded its aid-coordination functions. For India, Pakistan, Nigeria, Tunisia, the Sudan, Colombia, Malaysia and Thailand (and pending for several other countries), the World Bank has organized aid-coordination bodies composed of aid-giving nations to help coordinate and enhance the effectiveness of external aid in support of national development programs. In all instances the Bank chairs the meetings of the groups, which generally include representatives of eight to ten aid-giving countries, the International Monetary Fund, and increasingly, as appropriate, representatives from the United Nations Development Program, the Inter-American Development Bank, the African Development Bank, and other financing organizations.

### THE EUROPEAN DEVELOPMENT FUND

This Development Fund, with the limited association of the E.I.B., is a special Eurafri-can institution, deriving from the historical relationship of France and, to a considerably lesser extent, of Belgium and Italy with their former African territories.<sup>6</sup>

To promote the economic and social development of the then overseas territories of the member states of the European Economic Community, the Treaty of Rome of 1957 (which established the E.E.C.) created a new institution, the European Development Fund (F.E.D. after its French initials), and endowed it with \$581.25 million for the first five years, 1958-1962. The greatest share of the Development Fund was destined for French overseas territories and countries, with the bulk of that to go to the fourteen African associated territories of *l'expression française*. In fact, only \$35 million earmarked for Netherlands overseas countries and territories was "certain" for allocation to associated territories outside Africa.

\* Ed. note: According to a February, 1966, release by the World Bank (Canada: A. E. Ames & Co.); "From the start of its operations in 1946 through September 30, 1965, the Bank made 433 loans aggregating over \$9,183 to finance more than 1,000 projects in 77 countries or territories."

<sup>5</sup> George D. Woods, "Address to the Boards of Governors of the World Bank," Washington, D.C., September 27, 1965, p. 1.

<sup>6</sup> For this section, I have drawn heavily from my monograph, *Africa and the European Common Market* (2nd rev. ed.; Denver: University of Denver, Social Science Foundation World Affairs Series, 1965-66).



France and West Germany were the two principal contributors to F.E.D., with \$200 million each. The French overseas territories in Africa and elsewhere were to benefit directly, for the first time, from \$311.25 million contributed by metropolitan countries other than France, including \$200 million from West Germany, \$40 million from Belgium, \$35 million each from Italy and the Netherlands, and \$1.25 million from Luxembourg. All assistance from F.E.D. was to be in the form of nonrepayable grants.

F.E.D. has been continued by the Yaoundé Convention of Association of 1964. However, pursuant to the Yaoundé Convention, the E.E.C. Commission will now administer the Development Fund "in cooperation" with a committee of representatives of the E.E.C., and the new joint Council of Association, on which the African associate members have equal representation with the "six."

F.E.D. has been endowed under the Yaoundé Convention with \$800 million for five years, 1965–1969, for economic and technical assistance to all the associated states, countries and territories. Of the \$800 million, \$70 million is destined for non-African associated countries and territories. Of the remaining \$730 million destined for the 18 African associates, \$500 million is earmarked for economic and social development investment and \$230 million is earmarked for projects to improve the efficiency of production and to assist the diversification of agriculture in those nations to enable them to market their agricultural commodities at competitive world market prices.

The \$730 million of economic aid for the African associate members will come from two sources. The bulk, \$666 million, will come from the E.E.C. The balance of \$64 million will come from the European Investment Bank. Of the \$666 million, \$620 million will be administered by F.E.D. in the form of non-repayable grants. The remaining \$46 million to be provided by the E.E.C. will be administered as special "soft loans" roughly comparable to those of the International Development Association. Another \$64 million, provided from its own resources,

will be administered by the E.I.B. on terms roughly comparable to those of the World Bank.

The E.I.B. is an institution created under the Treaty of Rome to finance investment within the European Community itself. Its capital has been subscribed by the "six." In addition, the Bank is authorized to raise money on the private capital markets within the E.E.C. and to borrow on advantageous terms from the governments involved. Administering the \$64 million in F.E.D. funds will be its first venture into the African-associated area.

### **THE ALLIANCE FOR PROGRESS AND THE INTER-AMERICAN DEVELOPMENT BANK**

The Alliance for Progress, initiated in 1961, has had a long gestation period. Its historical roots lie in the special and complicated relationship of the United States with the various Latin American states and in the similarly special and complicated relationships among the Latin American states themselves. The 1960 Act of Bogotá (which called for Operation Pan-America) and the 1961 Charter of Punta del Este (which founded the Alliance for Progress within the framework of Operation Pan-America) underlined the importance of inducing social development and political change as preconditions, as well as concomitants, of Latin American economic development. The objectives of the Alliance, relating external assistance to internal social and economic reforms, and emphasizing the "strengthening of democratic institutions," are set out in the Declaration, Charter and Appended Resolutions of Punta del Este.

Nineteen aid-receiving states participate in the Alliance for Progress, with several possible new participants to come from the Caribbean area; the United States is the principal aid-giver within the Alliance, but several other nonmember states provide bilateral assistance to Latin America.

The Latin American machinery reflects the special circumstances and historical relationships of the area but has gone through a considerable evolution under the Alliance.

The Alliance charter was drafted by the Inter-American Economic and Social Council, a specialized body of the Organization of American States. In 1963, the Council created the Inter-American Committee for the Alliance for Progress (C.I.A.P. from its Spanish initials), which met for the first time in the spring of 1964. C.I.A.P. consists of seven members, (chosen by sub-regional groups in much the same way as the executive directors of the I.D.B.) and has a full-time chairman. In 1964, C.I.A.P. conducted its first review of its participating countries' development programs and performance, along with their estimates of their external assistance requirements—a process which C.I.A.P. expects to continue annually.

The Alliance charter also established a "Panel of Nine," with the function of reviewing the development plans of the Latin American countries requesting such review. The Panel of Nine, when requested, provided three of its members to meet with three representatives of the requesting country in order to assess that country's development plan. In the past four years, these ad hoc committees of six have reviewed the plans of ten or more of the Alliance's 19 aid-receiving members, the results being available only with the permission of the country studied. Some changes in regard to the Panel of Nine, and its relationship with C.I.A.P., have been under review for some time and the April, 1966, resignation of the Panel only served to underline the problems involved.

The I.D.B. is not represented on C.I.A.P. but the I.D.B.'s president is one of three *ex officio* advisers to the chairman of C.I.A.P. The I.D.B. also administers the Alliance's \$525 million "Social Progress Trust Fund"—this fund established over the last four years through United States contributions is currently being liquidated as a separate entity and is to be merged into the I.D.B.'s Fund for Special Operations (its "soft loan window"). The latter Fund has been enlarged by \$900 million over a three-year period, with \$750 million contributed by the United States and \$150 million in local currencies coming from the Latin American countries.

However the bulk of United States assistance under the Alliance for Progress is arranged bilaterally by the United States with the respective aid-receiving country.

### THE COLOMBO PLAN AND THE ASIAN DEVELOPMENT BANK

The Colombo Plan for Cooperative Economic Development in South and South-East Asia was initially a British Commonwealth program, initiated at the Conference of Commonwealth Foreign Ministers in Colombo in January, 1950. Its original members from "within the area of South and South-East Asia" were Ceylon, India, Pakistan and the then British dependencies of Malaya, Singapore, Sarawak and North Borneo. Commonwealth members outside the area—the United Kingdom, Australia, Canada and New Zealand—were the "donor countries." Membership in the Colombo Plan has expanded over the years far beyond its original Commonwealth conception to include, inside the region, Burma, Malaysia (replacing the former dependent territories of which it is composed), Cambodia, Nepal, Laos, Vietnam, Thailand, the Philippines, Korea, Bhutan, the Maldives Islands, and Afghanistan; and outside the region, Japan and the United States. The Colombo Plan has had a dual focus: (a) restoration of production and trade in the area, which had been disrupted by World War II and by the subsequent turmoil in the Indian sub-continent, and (b) economic development.

The Colombo Plan machinery—consisting of a Consultative Committee, a Council for Technical Cooperation and the Colombo Plan Bureau—was especially developed to meet the prevailing requirements in the area. It also reflects the Commonwealth "style" of informal consultative nonexecutive arrangements. The Consultative Committee meets once a year "to survey the needs, to assess the resources available and required, to focus world attention on the development problems of the area, and to provide a framework within which an international cooperative effort could be promoted to assist the countries of the area to raise their living stan-

dards." These terms of reference constitute the sole mandate of the Consultative Committee, which has no executive functions. Development assistance arrangements are bilateral, between individual aid-giving and aid-receiving countries. The annual meetings of the Consultative Committee review and comment on the surveys made by each aid-receiving country of its own development achievements and its general economic problems and needs. A joint assessment is then made of the problems of the area as a whole, one showing the gap between the overall needs and the available resources.

The Council for Technical Cooperation and the Colombo Plan Bureau were established at the Consultative Committee meeting of May, 1950, to coordinate the Technical Cooperation Scheme of the Colombo Plan adopted at the same meeting. The Council for Technical Cooperation meets regularly in Colombo. The day-to-day work of the Scheme is handled by the small Bureau, which compiles and disseminates information and issues progress reports. Assistance arrangements are handled bilaterally between aid-giving and receiving countries.

The Asian Development Bank is the newest regional bank to appear on the international scene. As already noted, it is broadly inter-regional. The Bank's charter, agreed to in December, 1965, and signed by 31 countries as of January 31, 1966, comes into effect when formally ratified by 15 countries (including 10 Asian countries) which are to subscribe 65 per cent of the Bank's authorized \$1 billion capital. The necessary ratifications are expected to be in hand by the summer of 1966. Capital subscriptions pledged by the 31 countries have already reached close to the authorized \$1 billion capital. About \$642 million has been subscribed by 19 Asian

and Australasian countries, including Japan<sup>7</sup>; 12 countries from outside the region, including the United States,<sup>8</sup> have subscribed some \$341 million.

The Bank is to be located in Manila and will be concerned with loans to its Asian members for economic and social development. Its multilateral operations will complement the essentially bilateral aid operations of the United States, the United Kingdom and other Western aid-giving countries under the umbrella of the multilateral Colombo Plan, much as the Inter-American Development Bank complements the bilateral aid operations of the United States within the framework of the multilateral Alliance for Progress.

### THE AFRICAN DEVELOPMENT BANK

The African Development Bank came into existence on September 10, 1964. Twenty-seven of the now independent African states are presently members. Non-African states are not eligible for membership. The Bank's paid-in capital subscription of its members is expected to reach \$100 million by 1969. The Bank is concerned with the financing of economic development projects in its own member countries. It has a special mandate to favor projects of a regional nature involving several member countries whenever possible. Thus, it hopes to encourage integrated regional economic development. The Bank is

(Continued on page 115)

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Arnold Rivkin has specialized in economic and technical assistance for Africa for the World Bank since 1962. Prior to that, he was director of African economic and political research at Massachusetts Institute of Technology and a senior aid official of the Marshall Plan and successor organizations. His two books, *Africa and the West* (New York: Praeger, 1962) and *The African Presence in World Affairs* (New York: Free Press of Glencoe, 1963) survey the aid requirements of the new African states and propose a new multilateral plan (OASES) to meet these needs.

<sup>7</sup> Afghanistan, Australia, Cambodia, Ceylon, China (Taiwan), India, Iran, Japan, Laos, Malaysia, Nepal, New Zealand, Pakistan, Philippines, South Korea, South Vietnam, Singapore, Thailand and Western Samoa. For excerpts of the Asian Development Bank Charter, see page 108 of this issue.

<sup>8</sup> Austria, Belgium, Canada, Denmark, Finland, Federal Republic of Germany (West), Italy, Netherlands, Norway, Sweden, United Kingdom, and United States.

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*Analyzing the prospects for channeling United States economic aid through the United Nations, this observer writes that although "it is possible to believe that all United Nations members might find adequate compensation in a multi-lateral aid system to relinquish the special privileges and advantages which they have sought from their bilateral programs, it is less easy to suppose that the minority of "have" nations will give up all control over the disposition of all economic aid to the "have-not" majority. . . ." This fear looms despite the fact that "the United Nations has no coercive power which can be exercised in the economic field by a voting majority."*

## Should U.S. Aid Be Channeled Through the U.N.?

By MARION H. McVITTY

*United Nations Representative for the World Association of World Federalists*

**T**O SPEAK OF "channeling" United States economic aid through the United Nations may be to invoke a mental image of considerable resources being added to an already great United Nations waterway which is flowing steadily to the developing nations of the world. If one pursues this image in the harsh light of present realities, the "channel" is difficult to discern amidst a labyrinth of thin, intermingling streams, none of which contains very much water.

The United Nations development programs are carried out through the United Nations itself, and through nine specialized agencies affiliated with it. Each of the nine agencies has its own constitution, its own governing bodies, its own budget and its own programs. The United Nations has operated through the Expanded Program of Technical Assistance and the Special Fund (recently merged into the United Nations Development Program) and through four regional commissions.

In the United Nations economic aid and technical assistance are virtually synonymous. In financial terms, this means that there

are some funds available for technicians, goods and services to provide the "know how" for advancing underdeveloped economies. Money as such is available only for preinvestment capital devoted to research and training, or in the form of loans for limited purposes through the World Bank and its affiliates.

The United Nations regular budget for 1966 provided approximately \$5,000,000 for servicing economic aid. Voluntary contributions for the projects of the United Nations Development Program totaled \$153,283,197. In 1966, the United States aid program, exclusive of military aid, amounted to almost 23 times that of the total United Nations program. These figures show clearly the relatively shallow financial water of the United Nations assistance program. Yet having said this much, one has said nothing at all about the values which have derived from the methods and experience of the multilateral programs. What has been done is not measurable in dollars and cents, nor is what *has* been done any gauge of what *could* be done with greater resources at the command of the world organization.



Concerted international action to overcome the economic and social want pertaining in vast areas of the world was an uncharted venture just 20 years ago. Since then the United Nations has pioneered along these frontiers. Initially, it was discovered that small, tentative, personalized approaches to the problem were more effective than massive attack. In the early years the ability of the recipient peoples to absorb assistance was limited. The aid received had to be accepted from strangers coming, not only from distant lands and alien societies, but from different centuries in the chronology of human progress. The needs were as diverse as they were desperate. Expertise had to be enlisted from organizations already specializing in related areas. These included WHO in world health, F.A.O. in food and agriculture and UNESCO in education.<sup>1</sup> No one organization could cope with all the problems single-handed.

As time went on, it became clear that the requirements and resources of one area varied from those of another. For this reason United Nations regional commissions were established—as they became necessary—for Europe, for Latin America, for Asia and the Far East, and for Africa. United Nations field staffs operate in these areas on common problems among the countries covered. This has tended to decentralize somewhat the United Nations aid system.

At the same time, as the United Nations program grew, the need for coordination within the United Nations system became apparent. Numerous organized international agencies working in the recipient governments had bred considerable bureaucracy. The work of the international agencies involved has since been coordinated through the Inter-Agency Consultative Board. This board advises the management on project requests before their submission to the governing council of the United Nations Development Program. This advice covers the selection of the agencies for the execution of projects,

and the appointment of resident representatives. These resident representatives are, themselves, an important part of the coordination process. Stationed in recipient countries, they work with the appropriate departments of local governments in the selection, planning and meshing of the various programs offered by the various agencies.

More careful planning has also come to precede aid. The United Nations, itself, undertakes surveys of natural and human resources in developing areas. Recipient countries, which must compete with each other for the slender means of technical assistance available, have learned to present requests for United Nations aid on specific projects which have been well thought out in advance with an eye to practical priorities.

### BASIC PRINCIPLES

Undergirding United Nations assistance programs are fundamental principles evolved by the United Nations in order to preserve the independence and human dignity of the peoples being assisted. Basic to all the United Nations development programs are the principle and practice of *mutual* effort on the part of the international agencies and the recipient governments. Each country receiving help shares in the cost. Local labor and facilities are paid for in local currency by the local authorities, while United Nations funds are reserved for the technicians and materials brought in from outside. The United Nations agencies and the United Nations member governments contributing to development programs have agreed that this effort shall be divorced from political considerations. The personnel at all levels who implement the international programs do so as international civil servants with an objective attitude toward the client governments.

In short, despite cumbersome machinery and limited resources, the United Nations development programs are motivated by the needs of the recipients; incorporate an element of partnership which dilutes the "odor of charity"; and are carried out with strict impartiality.

Almost from the outset, "have-not" mem-

<sup>1</sup> WHO, World Health Organization; F.A.O., Food and Agricultural Organization; UNESCO, U.N. Educational, Scientific and Cultural Organization.

bers of the United Nations were convinced that technical assistance must be augmented by capital development funds on a sizable scale. To this end, they proposed the Special United Nations Emergency Fund which came to be known as SUNFED. From the start, SUNFED ran into opposition from most of the United Nations members who would have to contribute to such a United Nations capital development fund. Political considerations of all sorts could not be divorced from the prospect of the United Nations with real money to spend.

The Soviet Union had built-in inhibitions about providing funds to an international organization which was unlikely to develop national economies in the Communist image. The Soviet bloc was in the minority among United Nations members and had few nationals on the United Nations staff as compared with nationals from Western countries, which reinforced the U.S.S.R. fear that Western ways would be inculcated through United Nations aid programs.

Western nations, for their part, were unwilling to forego the political advantages of unilateral aid in the almost certain knowledge that the Soviets would not make a similar sacrifice. Furthermore, it seemed to be felt, in the United States at least, that the U.S.S.R. might have an influence over the disposition of such a capital fund disproportionate to the amount the Soviet bloc would contribute.

Over and above the political obstacles deriving from cold war mistrust, there was a further political objection mutually deterring the larger powers of both East and West. Under the one-nation-one-vote system of the United Nations General Assembly, almost all of the "have" nations were unwilling to risk giving a "have-not" majority control over a sizable United Nations capital fund.

In the course of several years of debate these real political factors were disguised by outward protestations that large capital sums were not available, or that they could not be usefully applied until various preconditions had been met in the developing nations. In the mid-1950's, it became fashionable for militarily powerful nations to promise

money and manpower for United Nations economic aid on a large scale, from savings attendant upon disarmament, when—and, of course, if—disarmament could be achieved. It was in this period that the United Nations Special Fund was set up to administer "pre-investment" capital for surveys and research but this fund has still not become the SUNFED that was originally planned.

Meanwhile, the "promise" of SUNFED was too ambiguous for the "have-not" nations and in 1960 an Assembly resolution was adopted which "decided in principle" that a United Nations Capital Development Fund should be established. To this day, however, that fund continues to exist only on paper.

As the United Nations membership has increased over the years—primarily through the admission of new, underdeveloped states—the pressures of the "have-nots" (and the fears of the "haves") have increased. The situation has been eased somewhat by the proliferation of United Nations agencies devoted to economic aid. Two new affiliates, for instance, were attached to the World Bank. The International Development Association was established to provide loans to developing countries on terms far easier than those made by the Bank itself. The International Finance Corporation was set up to assist private enterprise, as distinct from government projects, within developing states. By affiliating these new agencies with the World Bank, their control was brought under the voting system of the Bank which is weighted in favor of the nations providing the funds. Thus, some concession was made to the increased demand for capital while avoiding the increased risk of equal votes for all nations in the United Nations General Assembly.

#### U.N.C.T.A.D.

Despite these efforts to meet the economic needs of United Nations members through United Nations development machinery, the world community has had to face the fact that the economic gap between developed and developing nations has not been closed, but has grown wider. The living standards in

the industrialized nations have continued to rise at a far more rapid rate than in those nations seeking to catch up. By 1963, it had become apparent that some of the benefits of economic aid and technical assistance were being dissipated by the continued inability of the "have-not" nations to consolidate their gains and become self-sustaining through international trade. This led to the development of still another United Nations body, the United Nations Conference on Trade and Development which first met in 1964 and was made into a permanent agency thereafter. From the very first, U.N.C.T.A.D., as the new agency has come to be known, encountered political obstacles at least as difficult as those encountered by SUNFED.

The nations of Latin America, Africa and Asia were able to achieve unanimity among themselves with respect to such goals as stabilization of primary commodity prices, preferential tariff agreements for their small manufactures and more equitable shipping and insurance rates. However, when these developing states stood together on these issues, as a united bloc of 77 governments, the industrialized nations found themselves politically and economically at odds with that bloc, and with each other. Those in the industrialized minority apparently entertained a mutual fear of any change in the status quo in world trade. At the same time, their differing economic systems, as well as their political rivalries, prevented them from arriving at mutually acceptable alternatives to the proposals of the "have-nots."

In the end, however, realism prevailed among the 77 underdeveloped nations. Clearly, trade regulations advantageous to those in need could not be imposed upon nations in control of markets, prices and transportation systems. As in the case of SUNFED, the size of the *proposing* majority could be of little avail against the will of the *disposing* minority which possessed the means to the desired end.

When U.N.C.T.A.D. was established as a permanent body, it was agreed that it would not attempt to reach its conclusions merely by taking a vote. Instead, it agreed to foster

a process of conciliation between the developed and developing nations which would seek to adjust the differing interests of the two groups—a painfully slow process which has not yet had time to show results. With U.N.C.T.A.D., as with SUNFED, studies, plans and consultations are in progress, but cannot yet be called "operational."

## U. S. AID IN CONTEXT

From this rather telescoped account of what the United Nations has, and has not, been able to do in the field of economic aid, some of the characteristics of a multilateral system emerge. Whether these characteristics, as they differ from bilateral programs, should be considered as plus or minus factors depends upon the standpoint from which they are judged. Recipient nations and donor nations are unlikely to evaluate them in the same way. Developed nations which are not deeply involved in the cold war will make a different assessment from that of the United States or the Soviet Union. The United Nations as it embodies concern for the world community as a whole will apply a different yardstick from the one used by any single United Nations member.

Arguments for or against United Nations administration of all United States economic aid must not only take account of these different approaches, but must also consider the conditions under which such a policy might be implemented. It is unreasonable to suppose that the United States would adopt such a policy unilaterally. Indeed, were it to do so, the size of the United States contribution would be so disproportionate as to impair the international character of the United Nations program. Therefore most, if not all, other industrialized nations would have to channel their aid through the United Nations, in order for the United States to do so.

Whether the United Nations as presently constituted could efficiently handle so substantial an increase in resources is a question. The tendency to proliferate United Nations agencies would need to be curbed, and still greater coordination imposed upon the present machinery.

From the point of view of effectiveness, however, a multilateral system for economic aid has one compelling advantage over bilateral programs. A multilateral system can deal with problems and projects which are not confined within the boundaries of a single state. An overall approach to the improvement of conditions in a whole region is likely to do more good for less money than a piecemeal approach dictated by separate negotiations between individual governments.

It might be thought that the developing nations, at least, would be wholeheartedly in favor of channeling all assistance through the United Nations. Most of them are jealous of their national independence, and only the United Nations can assure them that political or economic domination will not be the price paid to meet their human needs. At the same time, the developing states may also have some reservations about eliminating the bilateral method. As matters now stand, these countries must compete for United Nations resources. Some among them, therefore, feel that they have a better chance of getting what they want when they want it by appealing directly to a single donor, particularly if the potential contributor has a good "strategic" reason to comply. However, their attitudes could well be expected to change with changing circumstances. If all industrialized countries channeled their aid through the United Nations, United Nations resources would be so vastly expanded that far fewer practical requests would have to be rejected by the international agencies.

Whatever the wishes of developing states, in the United States—as elsewhere—aid programs have not been motivated by pure altruism. Bargaining for national security, political influence and economic advantage through its foreign aid programs has been a major element in United States foreign policy, particularly as it contends with the cold war. In United Nations operations, divorced as they are from such considerations, comparable rewards do not automatically accrue to the donor governments.

On the other hand, countries which have benefited from United States bilateral aid

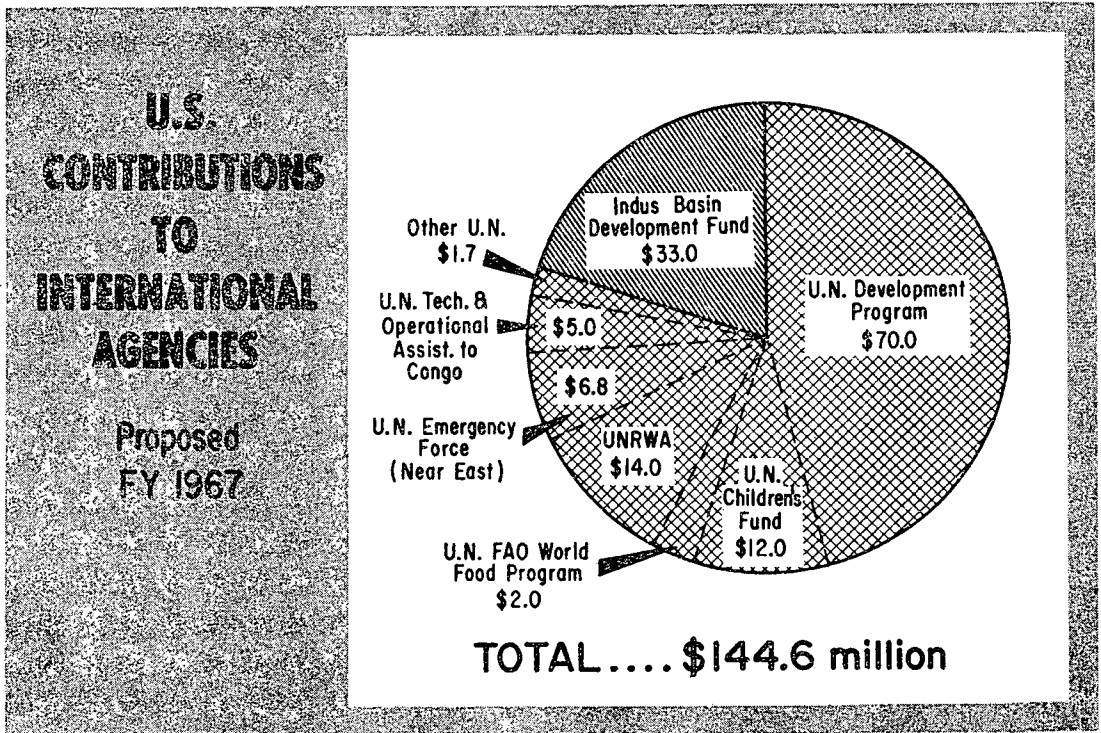
have not always expressed their gratitude by supporting United States positions or by adopting the American "way of life." If United States largesse has seemed insufficient, or the attendant conditions too onerous, soliciting nations have either accepted Communist offers instead or, by threatening to do so, have found a lever capable of raising the United States "ante" or of reducing the number of "strings." As the developing states have become increasingly adept at playing one cold war rival against the other, more and more uncertainty has arisen as to the degree and reliability of international friendship being won for the United States through its aid programs. It is perhaps significant that despite the growing need for economic aid abroad, this country has been reducing its annual aid appropriations, apparently in response to public and official disillusionment.

There is evidence that Soviet aid has not fared much better. There have been many press reports recently of Soviet bloc technicians being expelled from one country or another as its government suddenly changed. Under the circumstances noted, it might be advantageous to both sides to eliminate the precarious and cut-throat bilateral competition entirely. Instead, the United States and the U.S.S.R. might better demonstrate their genuine concern for the developing states by the size of their respective contributions to a common effort through the United Nations.

Past Soviet performance with respect to its participation in United Nations technical assistance has been mentioned as a block to this reciprocal switch to a multilateral system. The U.S.S.R. has tended to contribute to United Nations aid in its own currency, so that only Soviet goods and technicians could be made available with the Russian rubles contributed. However this practice has been relaxed somewhat in recent years. In 1966, for instance, the Soviet Union has pledged the equivalent of \$3,000,000 to the United Nations Development Program. Of that contribution 30 per cent will be paid in convertible currency.

The United States, too, has sought on at least one occasion to subvert the United Na-





—This chart is reprinted from *Proposed Economic Assistance Programs FY 1967*, a publication of the Agency for International Development, issued in March, 1966.

tions rule against political prejudice in the determination of which aid projects should be undertaken. In 1961, it objected to the setting up of an agricultural experimental station in Cuba, finding it very difficult to approve of assistance to the regime of Fidel Castro from *any* source. However, when the United Nations agency stood firm upon the agreed principle, the United States yielded.

It is possible to believe that all United Nations members might find adequate compensation in a multilateral aid system to relinquish the special privileges and advantages which they have sought to derive from their bilateral programs. It is less easy to suppose that the minority of "have" nations will give up *all* control over the disposition of *all* economic aid to the "have-not" majority in the United Nations. Yet, as with SUNFED and U.N.-C.T.A.D., the majority would be impotent to *compel* the industrialized nations to act against their own interests. As presently constituted, the United Nations has no coercive power which can be exercised in the economic field by a voting majority.

One might conclude from the foregoing that the United States may have something to gain and not too much to lose by channeling its aid programs through the United Nations and that the industrialized nations as a group could withstand demands for aid which might damage their own economies. One might even conclude that the developing countries could learn to refrain from asking for what would not be cheerfully forthcoming. Yet to take comfort from these conclusions would be to beg the central question.

The real issue is that the economic gap between the "haves" and "have-nots" is yawning wider than ever. This juxtaposition of misery and affluence is a breeding ground

(Continued on page 116)

In addition to her duties for the World Association of World Federalists, **Marion McVitty** is a member of the National Executive Council of United World Federalists, a member of the board of directors of the United Nations Association—U.S.A., and editor of *The Independent Observer*.



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## CURRENT DOCUMENTS

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# The Asian Development Bank Agreement

*In December, 1965, the executive secretary of the U.N. Economic Commission for Asia and the Far East (ECAFE) convened a 27-nation conference in Manila to draft an agreement establishing the Asian Development Bank. By January, 1966, 31 countries had signed the agreement, which would go into effect when formally ratified by 15 countries, including 10 Asian countries. The necessary instruments of ratification are expected to be completed by the summer of 1966. Excerpts from the text follow:*

\* \* \*

### ARTICLES OF AGREEMENT

#### *Chapter I. Purpose, Functions and Membership*

##### Article 1. Purpose

The purpose of the Bank shall be to foster economic growth and co-operation in the region of Asia and the Far East (hereinafter referred to as the "region") and to contribute to the acceleration of the process of economic development of the developing member countries in the region, collectively and individually. Wherever used in this Agreement, the terms "region of Asia and the Far East" and "region" shall comprise the territories of Asia and the Far East included in the Terms of Reference of the United Nations Economic Commission for Asia and the Far East.

##### Article 2. Functions

To fulfil its purpose, the Bank shall have the following functions:

- (i) to promote investment in the region of public and private capital for development purposes;
- (ii) to utilize the resources at its disposal for financing development of the developing member countries in the region, giving priority to those regional, sub-regional as

well as national projects and programmes which will contribute most effectively to the harmonious economic growth of the region as a whole, and having special regard to the needs of the smaller or less developed member countries in the region;

(iii) to meet requests from members in the region to assist them in the coordination of their development policies and plans with a view to achieving better utilization of their resources, making their economies more complementary, and promoting the orderly expansion of their foreign trade, in particular, intra-regional trade;

(iv) to provide technical assistance for the preparation, financing and execution of development projects and programmes, including the formulation of specific project proposals;

(v) to co-operate, in such manner as the Bank may deem appropriate, within the terms of this Agreement, with the United Nations, its organs and subsidiary bodies including, in particular, the Economic Commission for Asia and the Far East, and with public international organizations and other international institutions, as well as national entities whether public or private, which are concerned with the

investment of development funds in the region, and to interest such institutions and entities in new opportunities for investment and assistance; and

(vi) to undertake such other activities and provide such other services as may advance its purpose.

### Article 3. Membership

1. Membership in the Bank shall be open to: (i) members and associate members of the United Nations Economic Commission for Asia and the Far East; and (ii) other regional countries and non-regional developed countries which are members of the United Nations or of any of its specialized agencies.

2. Countries eligible for membership under paragraph 1 of this Article which do not become members in accordance with Article 64 of this Agreement may be admitted, under such terms and conditions as the Bank may determine, to membership in the Bank upon the affirmative vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members.

3. In the case of associate members of the United Nations Economic Commission for Asia and the Far East which are not responsible for the conduct of their international relations, application for membership in the Bank shall be presented by the member of the Bank responsible for the international relations of the applicant and accompanied by an undertaking by such member that, until the applicant itself assumes such responsibility, the member shall be responsible for all obligations that may be incurred by the applicant by reason of admission to membership in the Bank and enjoyment of the benefits of such membership. "Country" as used in this Agreement shall include a territory which is an associate member of the United Nations Economic Commission for Asia and the Far East.

### Chapter II. Capital

#### Article 4. Authorized Capital

1. The authorized capital stock of the Bank

shall be one billion dollars (\$1,000,000,000) in terms of United States dollars of the weight and fineness in effect on 31 January 1966. The dollar wherever referred to in this Agreement shall be understood as being a United States dollar of the above value. The authorized capital stock shall be divided into one hundred thousand (100,000) shares having a par value of ten thousand dollars (\$10,000) each, which shall be available for subscription only by members in accordance with the provisions of Article 5 of this Agreement.

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### Chapter III. Operations

#### Article 8. Use of Resources

The resources and facilities of the Bank shall be used exclusively to implement the purpose and functions set forth respectively in Articles 1 and 2 of this Agreement.

#### Article 9. Ordinary and Special Operations

1. The operations of the Bank shall consist of ordinary operations and special operations.

2. Ordinary operations shall be those financed from the ordinary capital resources of the Bank.

3. Special operations shall be those financed from the Special Funds resources referred to in Article 20 of this Agreement.

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#### Article 11. Recipients and Methods of Operation

Subject to the conditions stipulated in this Agreement, the Bank may provide or facilitate financing to any member, or any agency, instrumentality or political subdivision thereof, or any entity or enterprise operating in the territory of a member, as well as to international or regional agencies or entities concerned with economic development of the region. The Bank may carry out its operations in any of the following ways:

(i) by making or participating in direct loans with its unimpaired paid-in capital and, except as provided in Article 17 of

this Agreement, with its reserves and undistributed surplus; or with the unimpaired Special Funds resources;

(ii) by making or participating in direct loans with funds raised by the Bank in capital markets or borrowed or otherwise acquired by the Bank for inclusion in its ordinary capital resources;

(iii) by investment of funds referred to in (i) and (ii) of this Article in the equity capital of an institution or enterprise, provided no such investment shall be made until after the Board of Governors, by a vote of a majority of the total number of Governors, representing a majority of the total voting power of the members, shall have determined that the Bank is in a position to commence such type of operations; or

(iv) by guaranteeing, whether as primary or secondary obligor, in whole or in part, loans for economic development participated in by the Bank.

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#### Article 14. Operating Principles

The operations of the Bank shall be conducted in accordance with the following principles:

(i) The operations of the Bank shall provide principally for the financing of specific projects, including those forming part of a national, sub-regional or regional development programme. They may, however, include loans to, or guarantees of loans made to, national development banks or other suitable entities, in order that the latter may finance specific development projects whose individual financing requirements are not, in the opinion of the Bank, large enough to warrant the direct supervision of the Bank;

(ii) In selecting suitable projects, the Bank shall always be guided by the provisions of paragraph (ii) of Article 2 of this Agreement;

(iii) The Bank shall not finance any undertaking in the territory of a member if

that member objects to such financing;

(iv) Before a loan is granted, the applicant shall have submitted an adequate loan proposal and the President of the Bank shall have presented to the Board of Directors a written report regarding the proposal, together with his recommendations, on the basis of a staff study;

(v) In considering an application for a loan or guarantee, the Bank shall pay due regard to the ability of the borrower to obtain financing or facilities elsewhere on terms and conditions that the Bank considers reasonable for the recipient, taking into account all pertinent factors;

(vi) In making or guaranteeing a loan, the Bank shall pay due regard to the prospects that the borrower and its guarantor, if any, will be in a position to meet their obligations under the loan contract;

(vii) In making or guaranteeing a loan, the rate of interest, other charges and the schedule for repayment of principal shall be such as are, in the opinion of the Bank, appropriate for the loan concerned;

(viii) In guaranteeing a loan made by other investors, or in underwriting the sale of securities, the Bank shall receive suitable compensation for its risk;

(ix) The proceeds of any loan, investment or other financing undertaken in the ordinary operations of the Bank or with Special Funds established by the Bank pursuant to paragraph 1(i) of Article 19, shall be used only for procurement in member countries of goods and services produced in member countries except in any case in which the Board of Directors, by a vote of the Directors representing not less than two-thirds of the total voting power of the members, determines to permit procurement in a non-member country or of goods and services produced in a non-member country in special circumstances making such procurement appropriate, as in the case of a non-member country in which a significant amount of financing has been provided to the Bank;

*(Continued on page 116)*

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## BOOK REVIEWS

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### ON DEVELOPMENT

**SOCIAL CHANGE IN DEVELOPING AREAS: A REINTERPRETATION OF EVOLUTIONARY THEORY.** EDITED BY HERBERT R. BARRINGER, GEORGE I. BLANKSTEN, AND RAYMOND W. MACK. (Cambridge, Mass.: Schenkman Publishing Co., 1965, 318 pages and index, \$7.95.)

The 12 papers in this volume are the result of a conference at Northwestern University in 1961, which centered on the question: "Does the tenor of current social science research in the underdeveloped areas constitute a revival of evolutionary theory?" Part I discusses "Theories of Social Evolution"; Part II, "Studies of Political and Social Change"; Part III, "Economic Development, Technological Change, and Evolutionary Theory." The book will be of greater interest to the specialist in this area than it is to the lay reader.

**ATLANTIC AGRICULTURAL UNITY: IS IT POSSIBLE?** By JOHN O. COPPOCK. (New York: McGraw-Hill, 1966. 234 pages and index, \$7.50.)

If agriculture is to become part of an integrated Atlantic economy and cease being an international problem, "a great amount of *national* housecleaning" by "national legislatures" is required. In this well-written and enlightening book, Mr. Coppock outlines in clear terms the agricultural problems besetting the industrial, i.e., Western, countries—"high output, high prices and high costs." The challenge for Atlantic agriculture is to modify its output so that production is balanced by what can be profitably traded and consumed; in other words, agriculture must in some fashion be brought "back into the arena of modified international competition. . . ."

**THE CHALLENGE OF HUNGER. A PROGRAM FOR MORE EFFECTIVE FOREIGN AID.** By I. W. MOOMAW. (New York: Frederick A. Praeger, 1966. 222 pages and index, \$5.95.)

In this highly personal, anecdotal account of United States foreign aid in action, the reader is made closely aware how foreign aid affects the lives of millions of children and adults in the underdeveloped countries. The book serves as a useful primer for understanding the operation of United States foreign aid and includes a "new and fresh" proposal for streamlining its administration.

**THREE WORLDS OF DEVELOPMENT.** By IRVING LOUIS HOROWITZ. (New York: Oxford University Press, 1966. 475 pages and index, \$8.50.)

The first world of development is the West, including the United States; the second is the Soviet bloc; the third is the underdeveloped nations of Latin America, Africa and Asia. In this sociological study of the third world's development, and of the factors contributing to the success or failure of a nation's economic "take-off," Mr. Horowitz points out that "political control, economic growth, and social structure are 'plugged' into one another as never before." This work is very readable, an interesting analysis of "total development" of which "technical and industrial development" is but one aspect.

J.B.A.

**WAR WITHOUT GUNS: AMERICAN CIVILIANS IN RURAL VIET NAM.** Edited by George K. Tanham. (New York: Praeger, 1966. 138 pages and index, \$4.95.)

The authors, all former AID administrators in Vietnam, have put together a volume designed to acquaint the public

with the work of the program. Mr. Tanham, former director of provincial operations, provides an introductory essay and a final one. His colleagues, all former provincial directors, contribute a chapter each on their personal experiences in their three widely different areas—W. Robert Warne in Vinh Binh (Mekong Delta), Earl J. Young in Phu Bon (Central Highlands), and William A. Nighswonger in Quang Nam (Northern area). Each chapter reflects the interests of its author and the special conditions of the province, but all convey admirably the atmosphere of the program.

The authors have made a valuable contribution in shedding light on the role of the United States in Vietnam. They are naturally sympathetic to the program and proud of the work they did. At the same time, they display full awareness of the problems still unsolved. Their stories should receive wide attention.

G. W. Thumm  
Bates College

## ON HISTORY AND POLITICS

**THE OBLIGATIONS OF POWER: AMERICAN DIPLOMACY IN THE SEARCH FOR PEACE.** BY HARLAN CLEVELAND. (New York: Harper & Row, 1966. 162 pages and index, \$4.50.)

In this little book its author has presented what may well be to the average layman the best *apologia* for contemporary United States foreign policy yet written. Mr. Cleveland, a card-carrying member of the American liberal establishment, has held a number of high positions in the Department of State and United States foreign aid agencies; he is now our ambassador to NATO. In this highly readable book he has sought to popularize the policies with which he has been associated, and in some cases helped to form. In doing so, he introduces his readers to a number of key foreign policy concepts, along with the problems to which they apply, and the reasons for and successes of United States policies—in his view, apparent failures are

not always so black as they seem to be.

Mr. Cleveland's book fills a real need on today's publication lists. The "educated" layman and serious student are already overwhelmed by the number of highly sophisticated treatments available. Mr. Cleveland's is one which can be read profitably by "the man in the street" or the high school student. G.W.T.

**THE WEST CAN WIN: A STUDY IN SCIENCE AND WORLD POWER.** BY DONALD WILHELM, JR. (New York: Praeger, 1966. 181 pages and index, \$5.95.)

Despite its twenty pages of very impressive footnotes, Mr. Wilhelm's book should be regarded as a delightful bedside companion rather than as a scholarly work. As the former, it is replete with interesting asides and some provocative statements. As the latter, it consists of a very loosely integrated framework dealing more or less with the relationship of science to world power and the impact this, in turn, has on relations between the West and communism.

Unfortunately, the author contributes little either to understanding how the West can win or to the study of science and world power. He makes a number of assertions, many of which will be accepted by most people, including this reviewer; his "conclusions and implications" are among those assertions. But his evidence is feeble.

Mr. Wilhelm has some fine ideas. They deserve a treatment as thorough as this one is interesting.

G.W.T.

**PROBLEMS OF NATIONAL SECURITY: A BOOK OF READINGS.** BY HENRY A. KISSINGER. (New York: Praeger, 1965. 477 pages, \$8.50.)

In *Problems of National Security* its author has compiled a collection of the best materials on the major issues of contemporary United States politico-military strategy. In his major sections he deals with the relationship of strategic doctrine to defense policy, the role of



alliances, unconventional warfare, nuclear arms control, and defense organization. He has included a fair representation of the outstanding authorities in each field and prefaced each selection with a brief "editor's note" putting the article in perspective.

Professor Kissinger has concentrated on those topics and approaches which he regards as actually central to current United States discussions in the field of national strategy. His attention to related topics, such as general economic policy, "underdeveloped areas," pacifism, or approaches to international order, ranges from incidental to negligible. While he includes articles by General Pierre Gallois and Alistair Buchan, he presents them more as participants in the American dialogue than as explanations of French and British politico-military strategy. His book is thus intended for a specialized, rather than a general, study of foreign policy.

Within the limits the author has set, this is probably the best book now available in the field. It will be valuable as an anthology for college and graduate courses, and for laymen who find their own reading made easier by having in readily available form a variety of articles including all those absolutely essential.

G.W.T.

**THE BALKANS.** BY CHARLES and BARBARA JELAVICH. (Englewood Cliffs, New Jersey: Prentice-Hall, 1965. 148 pages and index, \$4.95 clothbound; \$1.95 paperbound.)

This brief conventional handbook, like others in this series (*The Modern Nations in Historical Perspective*), is chronological in approach, reaching back to the medieval Balkans states for the roots of the present. It properly stresses the numerous geographic influences which fragmented the peninsula and made it vulnerable to competitive powers and ideologies. The compulsion to acquire land which has dominated the histories of these countries, inhibiting domestic growth and, when attended by reverses, producing the tragic

consequences of national collapse and a sequence of authoritarian regimes, is clearly shown. Since the strategic significance of the Balkans cannot be altered, the authors conclude that these nations will follow the same path in the future that they have in the past. Unfortunately, the treatment of the last twenty years is exceedingly superficial and provides little not already familiar to the moderately informed reader.

Ernest P. Muller  
Bates College

**THE QUEST FOR PEACE.** EDITED BY ANDREW W. CORDIER AND WILDER FOOTE (New York: Columbia University Press, 1965. 390 pages, \$7.95.)

This volume is dedicated to the late Dag Hammarskjöld. It is composed of twenty-four lectures delivered by prominent statesmen and scholars. Contributors include the present U.N. Secretary-General U Thant, Julius K. Nyerere, President of Tanganyika, Dean Rusk, U.S. Secretary of State, Barbara Ward, economist, and Lester B. Pearson, Prime Minister of Canada. The essays generally strike a happy balance between historical evolution and current conditions, and as such serve a useful purpose in placing the current U.N. crisis in proper perspective.

A.Z.R.

**REVOLUTION AND DEFEAT: The Story of the Greek Communist Party.** BY D. GEORGE KOUSOULAS (London and New York: Oxford University Press, 1965. 306 pages, bibliography and index, \$7.00.)

This welcome volume describes the development of the Greek Communist Party (K.K.E.) from its founding in 1918 to the present day. "Part I of this study, under the title 'The Early Years,' deals with the formative period of the Greek Communist Party, its tortured relationship with the Comintern, the incessant quarrels of its leaders, its frustrated efforts to escape the isolation imposed by public indifference, and the stigma of its 'Macedonian' policies." Part II treats the period up to 1941.

Parts III and IV deal with the war years, the civil war of 1945–1948, and the years since the Communist guerrilla defeat.

The author organizes his material in interesting and useful fashion and succeeds in communicating a vivid sense of the drama and bitterness that characterized, and continues to characterize, the politics of the Greek Communist effort at revolution and subversion. This stands as the most carefully researched study of the K.K.E.

A.Z.R.

**FLOODTIDE IN EUROPE.** By DON COOK. (New York: G. P. Putnam's Sons, 1965. 384 pages and index, \$6.95.)

An experienced American journalist, now the Paris correspondent of the *Los Angeles Times*, gives his account of the recent politics of Europe or, rather, of the major Atlantic powers—an account in which the great underlying currents of economic, demographic and social change, let alone the ideological drift of our times, receive but scant attention. The tide in the affairs of men which, taken at the flood, leads on to fortune is, for Mr. Cook, a political one. And it is true that the rise of Western Europe out of the doldrums of destruction, stagnation and confusion is one of the major political facts of our times.

It may be, though, that when the story is told again in the perspective of years to come, its politics will seem less significant than the integrating force of economic decisions, the international operation of intellectual concerns, the strange reversal of demographic trends, and their effects. The industrial age in which we live over-whelms us by the results of enterprises undertaken for quite limited ends which then produce unexpected and far-reaching situations that involve ever greater numbers of people. Unformulated policies bear unpredictable results in a world whose every bell now truly tolls for all. Even General Charles de Gaulle, who emerges as the hero of Mr. Cook's account, shows little awareness of the scale and depth of challenges which we lack the institutions

to meet or the willingness to accept.

To these and vaster themes Mr. Cook does not address himself. He does, however, give us (despite some historical confusion at the start) a clear, handy and informed version of *Inside Western Europe* for the 1950–1964, period, which one can read with profit to refresh dulled memories.

Eugen Weber

University of California at Los Angeles

**THE UNITED STATES AND ITALY.**

By H. STUART HUGHES. (Cambridge, Mass.: Harvard University Press, 1965. 297 pages, bibliography, charts and index, \$5.95.)

Here is a new edition of a work which, since its publication in 1953, has become a classic model of contemporary history in brief. Despite its title, the book is not about Italo-American relations, but about the problems and evolution of Italy during the hundred years since its unification. Professor Hughes has now brought his story up to 1964 and added several new chapters to the excellent ones of the first edition. Deceptively simple and straightforward, the tale he tells provides the most perceptive and complete account in a small compass of Italian social, economic, cultural and political events. All is set out so clearly that the uninformed reader can enjoy it as easily as the student can profit from it. This is a welcome publication.

E.W.

**FRANCE AND THE EUROPEAN COMMUNITY.** EDITED BY SIDNEY NETTLETON FISHER. (Columbus: Ohio State University Press, 1965. 176 pages, tables and index, \$5.00.)

The papers contained in this volume were prepared for a conference held around the theme of the title in October, 1963. They are consequently dated by what has happened since. Two essays, however, retain their interest: Norman Pounds' fact-filled survey of "France and the Resource Pattern of Western Europe," and Zbigniew Brzezinski's discussion of "The Soviet Bloc, the Common Market and France." E.W.

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## OVERPOPULATION

(Continued from page 71)

by a special presidential panel of population experts.<sup>13</sup>

Betraying the same myopia, we continue to spend billions for our lunar space program, while largely ignoring the much more important human gains that could be made by ending the threat of uncontrolled population growth. If indeed, we were successful in this "landing" it would mean the enrichment of life for billions of people all over the world. And yet "as the crisis emerges we find ourselves with virtually no provisions . . . even remotely adequate to deal with this desperately urgent problem."<sup>14</sup> Ultimately, of course, administrative structures can be developed, funds can be allocated, program assistance can be expanded, but such a crash program will occur only if we fully recognize the immediate urgency of the problem. When and if this recognition takes place, we can reasonably anticipate that the United States will use its vast resources to make information and means of family planning available to all the people in the world who wish to have them.<sup>15</sup> Since two out of every three couples in the world today lack access to such information and services, we obviously have a long way to go, but—in the final analysis—it is hard to imagine a better foreign aid investment.

<sup>13</sup> See Population Reference Bureau, *Population Bulletin*, December, 1965, pp. 154–155.

<sup>14</sup> Robert C. Cook, *Population Bulletin*, August, 1965, p. 52.

<sup>15</sup> See Population Reference Bureau, *Population Bulletin*, December, 1965, p. 147.

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## UNDERDEVELOPED ECONOMIES

(Continued from page 77)

have come to believe that they are entitled to a greater share of the world's wealth is a necessary step toward maintaining the peace of the world. Economic growth hardly insures peace. But in a world rapidly becoming smaller, the wealthy nations cannot live in

political tranquility unless the impoverished nations are assisted in their search for a better material existence.

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## WEST EUROPEAN AID

(Continued from page 95)

"aid" through the commodity price-support schemes such as France does. The E.E.C. is attempting to move the six members toward multilateral grants and free markets and prices for products of its Associated Members.

Three new trends stand out: (1) a move by all lenders toward "softer" terms (2) a recognition of the need to finance local costs as well as import costs of capital projects and (3) a provision for more and better coordinated technical assistance in developing countries. There has, however, been no tendency by any major donor country to "untie" its bilateral aid from its own exports.

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## INTERNATIONAL AGENCIES

(Continued from page 101)

located in Abidjan, capital of the Ivory Coast, and is presently engaged in developing its organizational structure and its staff. As yet, it has made no loans.

## CONCLUSION

As we have seen, there is a wide diversity of international development assistance programs and institutions. They have grown out of varying circumstances at different times and, although they have much in common—particularly their growing acceptance as multilateral aid channels by both aid-giving and aid-receiving countries—there are important differences in their functions, purposes, structure, membership, resources and methods of operation. What is appropriate for the Inter-American Development Bank, for example, is not necessarily applicable to the African Development Bank, or vice versa. Nevertheless, international multilateral development assistance programs and organizations, despite and perhaps because of their

diversity, seem to be very much in the ascendancy in the external development aid field.

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## COMMUNIST FOREIGN AID

*(Continued from page 87)*

lack the romance and the competitive or natural challenge of the Soviet projects.

Visits to projects by senior American officials, especially on opening day, would help to focus attention on what the United States has done. Such visits might also be the occasion for announcing new foreign aid. If the United States could find at least one such dramatic "flagship project," it could then serve as a frame of reference for our other less spectacular efforts which in the long run have proven to be of immense benefit. There is a real danger, however, that unless the American taxpayer can soon associate something tangible with American foreign aid, he will become even more reluctant to provide support for such aid. Soviet successes in publicity are perhaps the most instructive aspect of Soviet foreign aid. Such successes have more than compensated for Soviet failures and explain why their program has continued as long and as well as it has.

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## SHOULD U.S. AID BE CHANNELED?

*(Continued from page 107)*

for communism, violence and war itself. Self-serving bilateral programs and a resource-starved international system have not turned the tide. Nor can this relentless question be answered by pooling all economic aid into a United Nations in which a grudging majority and a sullen minority acquiesce in a stalemate as to its disposition.

No one nation holds the answer. World peace and world well-being are interdependent. No solution will succeed that does not recognize all the implications of that interdependence as an inexorable fact of life. The United Nations is predicated on that fact and exists because of it. If the United Nations

were permitted to fill the economic and social needs of the world's peoples, it would draw from those peoples the kind of loyalty that would strengthen the United Nations in all its functions and thus enable the United Nations to preserve the peace among them.

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## THE ASIAN BANK

*(Continued from page 110)*

(x) In the case of a direct loan made by the Bank, the borrower shall be permitted by the Bank to draw its funds only to meet expenditures in connexion with the project as they are actually incurred;

(xi) The Bank shall take the necessary measures to ensure that the proceeds of any loan made, guaranteed or participated in by the Bank are used only for the purposes for which the loan was granted and with due attention to considerations of economy and efficiency;

(xii) The Bank shall pay due regard to the desirability of avoiding a disproportionate amount of its resources being used for the benefit of any member.

(xiii) The Bank shall seek to maintain reasonable diversification in its investments in equity capital; it shall not assume responsibility for managing any entity or enterprise in which it has an investment, except where necessary to safeguard its investments; and

(xiv) The Bank shall be guided by sound banking principles in its operations.

\* \* \*

### *Chapter X. Final Provisions*

\* \* \*

### Article 65. Entry Into Force

This Agreement shall enter into force when instruments of ratification or acceptance have been deposited by at least fifteen (15) Signatories (including not less than ten [10] regional countries) whose initial subscriptions, as set forth in Annex A to this Agreement, in the aggregate comprise not less than sixty-five (65) percent of the authorized capital stock of the Bank. \* \* \*

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# THE MONTH IN REVIEW

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*A CURRENT HISTORY Chronology covering the most important events of June, 1966, to provide a day-by-day summary of world affairs.*

## **INTERNATIONAL African-Malagasy Common Organization**

June 25—14 French-speaking African nations adopt a charter providing economic and political cooperation in a common organization; Niger's President Hamani Diori is named president of the African-Malagasy Organization, which includes 12 former French territories and 2 former Belgian territories. Rwanda and the Congo are not included.

## **Asian and Pacific Council (ASPAC)**

June 1—In Seoul, a new association of non-Communist Asian and Pacific states is established; members are South Vietnam, Japan, South Korea, Nationalist China, Thailand, Malaysia, the Philippines, Australia and New Zealand. Laos remains an observer.

June 14—The Asian and Pacific Council conference officially opens in Seoul.

June 16—The Council supports South Vietnam's struggle against "external aggression and subversion," at the close of its 3-day meeting.

## **Disarmament**

June 14—The Geneva disarmament conference resumes after a 5-week recess.

## **International Labor Organization**

June 9—Pyotr T. Pimenov, secretary of the Soviet All-Union Central Council of Trade Unions, is elected to a seat on the executive board of the I.L.O.; he is the first nongovernment representative of a Soviet bloc country to be elected to the executive board. (See also *U.S., Labor*.)

## **North Atlantic Treaty Organization (NATO)**

June 6—Foreign ministers of 14 of the 15

NATO powers postpone until October the decision as to whether the political headquarters of the Atlantic alliance should be moved from France with the military headquarters. The Benelux nations are invited to supply a new headquarters for Supreme Headquarters Allied Powers Europe (SHAPE).

June 28—German General Johann Adolf Count von Kielmansegg is formally named to be commander-in-chief of allied forces in Central Europe.

## **Organization of American States (O.A.S.)**

June 24—The O.A.S. votes 18 to 0 with Mexico abstaining to end its political and military intervention in the Dominican Republic. Withdrawal of all foreign troops is to start before July 1 and to be completed in 90 days.

June 28—96 men, an artillery battalion of the Inter-American Peace Force, leave the Dominican Republic. These are the first of the 8,200-man force to withdraw.

## **Southeast Asia Treaty Organization (SEATO)**

June 29—A 3-day SEATO conference in Canberra concludes with a communique terming the treaty area still "the most dangerous in the world," and asking defeat for the Communists in Vietnam.

## **Southeast Asian Union**

June 2—Indonesian Foreign Minister Adam Malik announces plans for a new union to include Malaysia, Indonesia, Thailand and the Philippines. He declares that all four states have agreed to join; no name has been chosen.

## **United Nations**

June 10—U.N. Secretary General U Thant names Omar Adeel of the Sudan as his per-



sonal representative for discussions on Aden and South Arabia now beginning in Cairo.

June 13—A U.N. inspection team checks the Syrian-Israeli border to see if both countries are conforming to the terms of the 1949 armistice.

June 16—The Security Council votes unanimously to extend the term of the Cyprus peace force 6 months, until December 26, 1966.

June 17—The U.S.S.R. releases its draft of a space treaty providing for peaceful exploration and research.

June 20—U Thant terms the Vietnamese war "one of the most barbarous in history" and asks all parties concerned to cooperate to stop the war: by scaling down all military activities in South Vietnam; stopping the bombing of North Vietnam; and indicating willingness to enter discussions.

June 21—The Security Council unanimously approves Guyana's entry into the U.N.

June 23—U Thant asks President Makarios of Cyprus to lift a blockade he imposed June 20 on Turkish Cypriotes in Nicosia. Countermeasures have been threatened by Turkey. (See also *Cyprus*.)

June 29—U Thant expresses "deep regret" at the U.S. bombing of "the heavily populated areas" of Haiphong and Hanoi.

June 30—U.S. Representative Arthur Goldberg tells the Security Council that the Vietnam war will not be ended by a halt in the bombing of North Vietnam.

## ARGENTINA

June 27—President Arturo U. Illia calls the cabinet into urgent session. General Carlos Augustos Caro, Illia's principal military supporter, is dismissed from his post and arrested by the military high command.

June 28—In a bloodless coup, Illia is overthrown by a 3-man military junta, which names Lieutenant General Juan Carlos Onganía provisional president.

## AUSTRALIA

June 21—The leader of the opposition Labor Party in parliament, Arthur A. Calwell, is

shot but not seriously wounded as he leaves a political rally.

## BELGIUM

June 21—The chamber of representatives approves the government's plan to provide a military headquarters for NATO. (See also *Intl, NATO*.)

## BRAZIL

June 5—The federal government removes from office the governor of Sao Paulo state, Adhemar de Barros. Sao Paulo is Brazil's largest and richest state. The governor has lost his political rights for 10 years; no explanation is given.

## CANADA

June 16—After a victory in the June 5 election, Daniel Johnson of the Union Nationale becomes 20th premier of Quebec.

## CHINA, PEOPLE'S REPUBLIC

June 3—In special announcements, radio stations in China reveal that Peking's Mayor Peng Chen, a member of the ruling Politburo, has been dismissed from his post as first secretary of the party's Peking Municipal Committee. At one time, observers considered Peng a possible successor to Central Committee Chairman Mao Tse-tung. Li Hsueh-feng, first secretary of the party's North China Bureau and a member of the Central Committee, replaces Peng on the Peking committee.

June 16—Premier Chou En-lai arrives in Rumania for an 8-day visit.

China rejects the U.S. bid for a pledge on atomic weapons. (See *U.S., Foreign Policy*.)

June 24—It is reported from Hong Kong that China is revamping its system of higher education because it is politically unreliable; the "cultural revolution," or purge, is reported to be continuing.

June 27—Chou En-lai ends a series of conferences in Albania.

June 30—At the close of a 2-day Pakistani visit, Chou En-lai leaves Rawalpindi for Peking.

## CONGO, REPUBLIC OF THE (Brazzaville)

June 29—It is reported from Leopoldville that insurgent army troops have successfully staged a revolt against the government of President Alphonse Massamba-Debat, who is attending a conference in Madagascar.

## CONGO, REPUBLIC OF THE (Leopoldville)

June 2—Former Premier Evariste Kimba and three other former cabinet officials are hanged in Leopoldville for allegedly plotting to kill President Joseph Mobutu.

## CUBA

June 4—The government begins a "year of combative preventiveness," intensified military training for reservists and members of parliamentary organizations.

June 27—Castro welcomes Cuban athletes returning from the 10th Central American and Caribbean games but does not deliver a speech. This is his second public appearance without a speech in June; it is rumored that Premier Fidel Castro has a throat ailment.

## CYPRUS

June 3—It is reported in Washington that President Makarios has agreed to end the virtual blockade of several thousand Turkish Cypriotes in Nicosia tomorrow; the blockade of the Turkish quarter was a reprisal for two explosions attributed to the Turkish ethnic minority in Cyprus. (See also *Intl, U.N.*)

## CZECHOSLOVAKIA

June 4—President Antonin Novotny is re-elected first secretary of the Czechoslovak Communist Party at the party's 13th congress.

## DOMINICAN REPUBLIC

June 2—Nearly complete unofficial returns in yesterday's presidential election give the presidency to Joaquín Balaguer, the right-of-center Reformist Party candidate, who defeated moderately leftist Juan Bosch.

June 13—Bosch concedes his defeat by Joaquín Balaguer.

June 22—It is reported from Santo Domingo that the government has asked the O.A.S. to plan for the withdrawal of the Inter-American Peace Force. (See also *Intl, O.A.S.*)

## FINLAND

June 1—Dean Rusk, the first United States Secretary of State to visit Finland, holds talks with top-level officials as well as with President Urho Kekkonen. Sources report that Vietnam, East-West relations and a plan for a Nordic nuclear-free zone were discussed. The Secretary is here for a 2-day visit.

June 13—Soviet Premier Aleksei Kosygin arrives.

June 14—Kosygin extends Soviet endorsement of the recently formed four-party coalition government. He and Premier Rafael Paasio exchange pledges of cooperation and friendship.

June 18—A joint communique is issued at the end of Kosygin's trip. In it, Finland endorses a Soviet proposal for an East-West conference on European collective security.

## FRANCE

(See also *U.S.S.R.*)

June 1—French and Communist Chinese officials sign an agreement granting the two nations the right to fly commercially between Paris and Shanghai. Air France will begin service on September 1.

June 3—Informed sources report that President Charles de Gaulle will send Jean Saintény, a foremost expert on Southeast Asia, on a fact-finding tour of Hanoi and Peking.

The national assembly passes a bill granting amnesty to approximately 3,200 people sentenced for crimes relating to the Algerian war.

The government imposes strict controls on LSD (d-lysergic acid diethylamide) and other hallucinogens.

June 8—Judicial investigation of the Ben Barka affair ends and 13 persons are in-

dicted. (See *France, Current History*, March, 1966, p. 184.)

June 13—France reiterates its opposition to naming West German lawyer-diplomat Walter Hallstein as the head of the executive commission for the Common Market, the European Atomic Energy Community and the European Coal and Steel Community.

The government announces that it will withdraw some or all of its aviation units from West Germany after its troops are removed from the Atlantic alliance.

June 16—Jean Saintény leaves on his fact-finding mission.

June 21—De Gaulle holds a 3-hour meeting in Moscow with General Secretary Leonid Brezhnev and Premier Aleksei Kosygin. De Gaulle urges Soviet-Bonn talks. He also visits with the mayor of Moscow.

June 22—It is reported in Washington that France will explode her first hydrogen bomb in the Pacific in 1968.

Speaking at Moscow State University, de Gaulle calls for a "new alliance" between France and Russia in scientific and other intellectual fields.

De Gaulle announces that he has sent a message to Ho Chi Minh, North Vietnamese leader, which will be delivered by Saintény; and that he (de Gaulle) will visit Cambodia in September.

June 23—The government classifies three communities as depressed areas in anticipation of the effect of the departure of U.S. military installations.

June 29—France notifies her allies that her troops in West Germany will fulfill their assigned missions "until further notice." The French North Atlantic Council delegate says France is remaining in the alliance. (See also *Germany, Federal Republic of*.)

## GERMANY, DEMOCRATIC REPUBLIC OF (East)

June 12—Military leaders of East Germany, Czechoslovakia, Poland and the U.S.S.R. meet with East German leader Walter Ulbricht.

June 29—German Communist leader Albert Norden demands terms for the previously scheduled East-West German political debates that virtually rule out hope that the debates will take place.

## GERMANY, FEDERAL REPUBLIC OF (West)

June 14—The government agrees to purchase enough military equipment from the U.S. to offset the costs of maintaining U.S. forces in Germany until mid-1967 when a new agreement will be negotiated.

June 16—In a speech in Washington, first deputy chairman of the ruling Christian Democratic Party Rainer Barzel suggests that sweeping military, political and economic concessions be extended to the U.S.S.R. by Germany in exchange for reunification. One of his proposals is to allow Soviet troops to remain in a reunited Germany.

The governing body of the Christian Democratic Party says Barzel is merely giving "a personal expression of opinion."

June 17—In speeches commemorating the 13th anniversary of the uprising against the East German Communist regime, Chancellor Ludwig Erhard reiterates an appeal for unification, while West Berlin's Mayor Willy Brandt urges a new approach toward the East.

June 20—The Christian Democratic Party's executive supports Barzel's plan and announces that the U.S.S.R. is blocking reunification.

June 21—Former Chancellor Konrad Adenauer says that the U.S. is commanding rather than leading NATO and urges a policy toward a "new NATO" with French membership.

Christian Democratic Bundestag deputies attack Barzel's proposal despite the statement of confidence previously issued. The number opposing is not known.

June 22—The government announces that it is decreasing its aid to India due to a general cutback in its aid programs, not for political reasons.

June 23—It is announced in Bonn that the government will give French troops interim permission to remain in West Germany after they leave the allied command on July 1.

June 28—The ministry of defense announces it will purchase 150 helicopters from the U.S. The cost will be \$150 million.

### GHANA

June 8—The government announces that it has halted work on the Soviet-financed hydroelectric dam project on the Black Volta River because it is "unfeasible."

### GUATEMALA

June 9—The state of siege, originally enforced in May in answer to guerrilla activities, is extended by Provisional President Colonel Enrique Peralta Azurdia until July 1, at which time his term ends.

### INDIA

June 5—In an effort to bolster the economy the government announces that effective June 6 the rupee will be devalued by 36.5 per cent.

June 9—The government announces that the Punjab state, Chandigarh, will become a federally operated territory.

June 12—Prime Minister Indira Gandhi warns that the economy is in its most critical state since the nation's independence.

June 13—Sources disclose that Mrs. Gandhi will go to Russia in July.

June 17—Officials charge West Germany with "foot dragging" in administering its aid pledge. (See also *Germany, Federal Republic of*.)

June 21—The government announces broad liberalization of restrictions on imports to provide more raw materials and equipment for the country's industries.

### INDONESIA

(See also *Malaysia*)

June 1—Foreign Minister Adam Malik and Malaysian Deputy Prime Minister Abdul Razak end their 4-day talks in Bangkok, agreeing to submit to their governments plans to resume diplomatic relations. (See *Indonesia, Current History*, July, 1966, p. 59.)

June 4—It is disclosed in Singapore that Indonesia extended recognition to Singapore on April 9.

June 8—Top-level leaders refuse to approve the peace proposals agreed upon in Bangkok.

June 21—The People's Consultative Congress, which convened yesterday, approves the March 11 decree giving emergency power to Lieutenant General Suharto for another two years. It also elects General Abdul Haris Nasution chairman of the congress.

June 25—President Sukarno calls a meeting with Suharto and other leaders as criticism mounts against his policies and powers.

### IRAQ

June 29—Premier Abdel Rahman al-Bazzaz announces a plan for local autonomy to end the 5-year-old war with the Kurdish tribes in northern Iraq. The Baghdad radio says the Kurdish rebel leader has approved the plan. (See *Iraq, Current History*, June, 1966, p. 371.)

### IRELAND

June 1—Eamon de Valera, of the Fianna Fail Party, wins a second 7-year term as president. He won over his opponent, Thomas F. O'Higgins, the candidate from the Fine Gael, by a narrow margin.

June 4—Liam Cosgrave, leader of the Fine Gael Party, demands a new parliamentary election; the Labor Party asks for a motion censuring the government for its handling of the economic situation which allegedly has resulted in a series of strikes.

### ISRAEL

June 17—President Zalman Shazar leaves for a 5-week state visit to four Latin American countries.

Premier Levi Eshkol returns from his tour of 7 African nations.

June 18—Officials report that Shazar will make an unofficial visit to the U.S. after his Latin American trip.

### ITALY

June 14—The results of the off-year administrative elections show a decline in Communist strength.

**JAPAN**

June 4—A top-level official in the ruling Liberal-Democratic Party, Kenzo Matsumura, urges closer relations with Communist China. He recently traveled to that country as a representative of Premier Eisaku Sato.

June 9—It is reported that the government is easing its trade policy toward China. Top officials state that policies on deferred-payment exports will be eased and that the government will approve government credits to finance shipments of industrial plants.

June 11—Some elements of the ruling party demand that Aiichiro Fujiyama, director of the economic planning agency, be removed from the cabinet because of a speech he made on June 8 urging a new policy toward China.

June 18—Japan and the U.S. begin talks in Sengokuhara about their policies toward China.

June 23—The Socialist opposition reports that it will begin a drive to force the government to expand its relations with Peking.

June 28—Sato decides to convene a special session of the Diet on July 1; the Socialists announce they will oppose such a meeting.

It is reported that the regular parliamentary session closed on June 27th with approximately 88 per cent of the government's legislative program adopted. The session failed to approve two measures to insure the country's participation in the Asian Development Bank.

**KENYA**

June 3—The parliament grants President Jomo Kenyatta broad powers aimed at combating communism and subversion.

June 8—The American-born wife of Minister of Labor Gikonyo Kiano, Earnestine Hammond Kiano, is deprived of her Kenyan citizenship. It is said that she "has shown herself by act and speech to be disloyal and disaffected toward Kenya."

June 11—Elections for 16 vacant seats in the national assembly begin. Kenyatta's Afri-

can National Union Party is being challenged by former Vice-President Oginga Odinga's Kenya People's Union Party. A total of 30 seats will be filled in three separate elections. (See *Kenya, Current History*, July, 1966, p. 59.)

June 18—In reprisal for anti-Kenya broadcasts and assistance to guerrillas, Kenya bans all flights from Somali to Nairobi.

June 21—All trade relations with Somali officially end.

The Kenya African National Union criticizes Senator Robert Kennedy's opposition to imposing sanctions on South Africa.

June 27—The Kenya African National Union wins an overwhelming majority of seats in the three elections.

**KOREA, REPUBLIC OF (South)**

June 1—It is announced that an additional army division and a brigade-size logistics unit will be sent to Vietnam in August.

June 6—Premier Chung Il Kwon discloses that Premier Nguyen Cao Ky of South Vietnam requested and was refused an air unit.

**LAOS**

June 14—It is reported that Brigadier General Phao Ma, who has been leading air strikes against the pro-Communist Pathet Lao forces and Hanoi's infiltration routes to South Vietnam, has been recalled from his post.

**MALAYSIA**

(See also *Indonesia*)

June 4—Sources disclose that Malaysia is still resolute in its position with regard to the states of Sabah and Sarawak in northern Borneo. (See *Malaysia, Current History*, June, 1966, p. 373.)

June 7—The cabinet approves the proposals promoted at the conference in Bangkok. Deputy Prime Minister Abdul Razak states that agreement to resume relations with Indonesia is contingent upon Indonesia's acceptance of the Bangkok peace proposals.

June 24—Several persons are arrested in demonstrations against the use of the island of Penang as a rest camp for U.S. troops fighting in Vietnam.



## NETHERLANDS, THE

June 16—The lower house of parliament debates the reasons for the two days of riots in Amsterdam on June 14 and 15. The rioting, in which one person died and 109 were wounded, follows a long series of clashes between police and demonstrators in Amsterdam that began with the wedding of Princess Beatrix to a German on March 10.

## NEW ZEALAND

June 6—The Maoris (native Polynesians) have a new queen, Kuini Te Ata-i-rangi-kaahu, who succeeds her deceased father. She acknowledges allegiance to Queen Elizabeth II.

## NICARAGUA

June 8—During a visit to the U.N., Nicaraguan President Rene Schick Gutierrez offers his country as a base for an anti-Castro invasion.

## NORWAY

June 2—Hundreds of demonstrators march in Oslo protesting U.S. Secretary of State Dean Rusk's visit and U.S. policy in Vietnam.

## PAKISTAN

June 7—Riots begin during a general strike to support demands for East Pakistan's autonomy.

June 15—*The Karachi Daily News* reports Foreign Minister Zulfikar Ali Bhutto will take extended leave in West Germany; Law Minister S. M. Zafar will take his post. Rawalpindi officials do not comment.

June 17—The government confiscates the presses of *Ittefaq*, East Pakistan's largest opposition newspaper.

June 23—Britain and Communist China sign aid agreements with Pakistan. Britain will grant an interest-free loan for electrification of part of a railway; China will provide technical assistance, monetary exchange and machinery for the building of an engineering complex.

## PANAMA

June 6—Student riots begin in Colon and spread to Panama City. The national

guard seals off the University of Panama campus. The riots stem from the unsolved slaying of a student leader, Juan Navas.

June 13—Foreign Minister Fernando Elea accuses the Communist movement of inciting the riots.

## POLAND

June 8—The government urges the Roman Catholic clergy to follow those churchmen who approve of coexistence between the regime and the Church. The regime is supporting Archbishop Boleslaw Kominek.

June 20—Kominek refuses to be a rival to Stefan Cardinal Wyszynski.

June 26—After two attempts, police succeed in halting approximately 1,000 anti-government demonstrators who have been chanting slogans and singing hymns in Warsaw's main street.

June 28—*Zycie Warszawy*, the government newspaper, accuses the Church of instigating the June 26th demonstration.

## RHODESIA

June 13—The government orders the impounding of all goods shipped by rail from Zambia through Rhodesia on which freight payments have not been made. Copper will be the major product affected.

June 22—Six members of parliament boycott the first formal session held since November, 1965. They oppose the policies of Prime Minister Ian D. Smith.

## RUMANIA

June 17—Communist Chinese Premier Chou En-lai, who arrived June 16th, holds talks with top-level officials (including General Secretary Nicolae Ceausescu) for 7 hours. The topics discussed are not disclosed.

June 19—Talks between Ceausescu and Chou continue for an unscheduled third day.

June 23—Ceausescu and Chou arrive at a planned public rally about 2 hours late. The meeting is not broadcast as planned; both leaders' speeches are devoid of political content.

June 24—It is reported that on May 27, First Deputy Premier Emil Bodnarus summoned the U.S. Ambassador, Richard Davis, to a

private session concerning a negotiated settlement of the Vietnam war. Bodnaras had just returned from Hanoi and Peking.

### SAUDI ARABIA

June 17—King Faisal is awarded the Grand Collar of Civil Merit by Spain's chief-of-state, Generalissimo Francisco Franco. Faisal is in Spain on a state visit.

June 21—Faisal arrives in Washington for a 3-day state visit.

June 22—Faisal is asked at a news conference whether the U.A.R. or Israel is his greater enemy. He states he regards the U.A.R. as a "sister republic"; that the nation of Israel is not the enemy but rather the Zionists who have transplanted Arabs from Palestine.

June 23—After criticism from Faisal about Jewish support for Israel, Faisal is denied an official welcome in New York by Mayor John Lindsay and Governor Nelson Rockefeller.

### SENEGAL

June 15—The only legal opposition party, the African Regroupment Party, merges with President Leopold Senghor's Senegalese Progressive Union. Three members from the opposition party are appointed to the cabinet.

### SINGAPORE

June 6—The government discloses that it has recognized Indonesia but is not rushing an exchange of diplomats to avoid antagonizing Malaysia.

### SOMALI

June 26—Premier Abdirizak Haji Hussein submits his government's resignation after parliament rejects two government-sponsored bills.

June 27—President Aden Abdulla Osman refuses to accept the resignation.

### SOUTH AFRICA, REPUBLIC OF

June 7—U.S. Senator Robert Kennedy, on an unofficial visit, announces that a private organization, the South African Foundation, has invited him to return next year. The government gives him permission to visit Chief Albert Luthuli, a Nobel Peace

Prize winner, who is restricted to his home in Durban.

June 12—It is reported in the press that the government will not permit Kennedy to return for another visit.

June 19—It is disclosed that Prime Minister Hendrik Verwoerd and Chief Leabua Jonathan, Prime Minister of Basutoland, may meet soon to discuss future relations.

### SPAIN

June 4—It is reported that trade agreements with the U.S.S.R. are being prepared; the first Soviet film is shown in 30 years.

June 6—A Roman Catholic youth weekly, *Signo*, is confiscated by order of the government to avoid distribution of an article discussing the Spanish Civil War.

June 11—The regime is suing a Jesuit magazine over an article criticizing the police for the clubbing of priests on May 11. (See *Spain, Current History*, July, 1966, p. 61.)

June 16—The University of Barcelona suspends 68 professors for having participated in student movements urging "free" campus associations.

June 22—The ruling body of the Church hierarchy votes to discipline the liberal-minded Catholic Action—lay arm of the Church—for its assertion of independence. Catholic Action meetings are suspended indefinitely.

### U.S.S.R., THE

(See also *France*)

June 1—President Nikolai Podgorny speaks in a Soviet-Chinese border town and assures the people that the country is alert to the need for protection of its Far Eastern territories.

June 2—*Tass*, the Soviet press agency, reports that scientists are impressed by the U.S. Surveyor I soft lunar landing.

General Secretary Leonid Brezhnev delivers a speech in Prague, in which he warns against divisions in the world Communist movement.

June 4—The government announces the names of six writers who will defend the Sinyavsky-Daniel trial at a congress of the

International Society of Poets, Essayists and Novelists (P.E.N.), to be held in New York. (See *U.S.S.R., Current History*, April, 1966, p. 253.)

June 6—A foreign ministerial meeting of the 7 East European Communist countries and the U.S.S.R. begins in Moscow.

June 8—Premier Aleksei Kosygin says he is hopeful U.S. policy in Vietnam will change. He blames "some advisers," but not the entire U.S. government.

June 9—The government cancels plans for a delegation to the P.E.N. meeting.

June 10—Speaking before members of the Moscow electorate, Brezhnev reaffirms the government's stand on aiding the Communist Vietnamese "... to help speed up the victory."

June 11—Diplomatic sources report that the U.S.S.R. and its European allies are planning a proposal for a European security program that would advocate the dissolution of military blocs.

June 12—1,517 candidates stand for election to the Supreme Soviet (parliament). Former Foreign Minister Vyacheslav Molotov and former Premier Nikita Khrushchev vote in their districts.

June 14—With no opposition, all 1,517 candidates win in the election.

June 17—The government announces that the Warsaw Pact will hold a high-level meeting in Bucharest in early July.

The East European foreign ministerial meeting in Moscow ends.

During a visit to Finland, Kosygin reverts to a harder line on U.S. policy.

June 20—French President Charles de Gaulle arrives in Moscow and receives a warm welcome.

It is reported that the Soviet Union has purchased 336 million bushels of wheat from Canada for which it will pay \$800 million in Canadian currency.

June 21—Contrary to protocol, Brezhnev begins the 3-hour talks with de Gaulle; it is usually the place of Podgorny to assume the role of principal spokesman.

June 22—The government denies that it is insisting on the removal of U.S. troops from

Vietnam as a precondition to a non-proliferation agreement.

June 25—De Gaulle is the first Westerner to visit the Soviet space site at Baikonur; he witnesses the launching of Cosmos 122.

June 27—It is reported in Moscow that the Soviet Union and Peking have signed a cultural agreement for 1966.

The highest Soviet official ever to visit Canada, First Deputy Premier Dmitri Polyansky, urges Soviet-Canadian cooperation in keeping the peace and preventing war.

June 30—Podgorny and de Gaulle sign a declaration of principle and affirm their countries' intent to cooperate with each other toward a confident and peaceful Europe. They reach no accord on the future of Germany, but sign a 10-year space research agreement.

De Gaulle ends his official visit and plans to leave for France tomorrow.

## **UNITED ARAB REPUBLIC**

June 9—A spokesman for the Palestine Liberation Army, which was established by Arab heads of state to oppose Israel, announces that it will send troops to Vietnam to aid the Vietcong.

June 10—*Al Ahram* reports in Cairo that the U.S.S.R. has agreed to extend to the U.A.R. a \$165-million credit to finance development projects.

## **UNITED KINGDOM**

### **Great Britain**

June 1—Prime Minister Harold Wilson promises the Australian High Commissioner, Sir Alexander Downer, that Britain plans to maintain its military presence in the Far East.

It is reported in London that Britain has agreed to give the Caribbean islands of St. Kitts, Nevis and Anguilla the status of "an associated state."

June 15—Voting 225 to 54 in closed session, Labor Party members of Parliament reject a motion calling for the withdrawal of British military forces from Malaysia, Singapore and the area of the Persian Gulf by 1969-1970.

It is announced in London that Harold Wilson will visit U.S. President Lyndon Johnson in Washington in July.

June 29—Wilson pledges continuing support for U.S. policy in Vietnam but says "we must dissociate ourselves" from the U.S. bombing of oil depots at Hanoi and Hai-phong.

The government introduces a bill in the House of Commons to nationalize the iron and steel industry.

The National Union of Seamen decides to end the 45-day maritime strike; strike action will be postponed a year to allow time for a special committee of inquiry to study the industry.

### BRITISH TERRITORIES

#### Basutoland

June 17—The British government officially confirms that Basutoland will become independent on October 4, 1966, and will be called the nation of Lesotho.

#### South Arabia

June 11—South Arabian Foreign Minister Mohammed Farid states in a speech in London that his country will ask the U.S. for a security guarantee after it achieves independence in 1968. Britain has refused such a commitment.

### UNITED STATES

#### Civil Rights

June 2—The White House Conference on Civil Rights closes; a Congress of Racial Equality (CORE) resolution calling for U.S. withdrawal from Vietnam is defeated.

June 4—The U.S. Office of Education declares that it is acting to cut off federal aid to 18 Southern school districts that have failed to comply with U.S.-sponsored desegregation guidelines.

June 6—James H. Meredith is shot from ambush as he walks through Mississippi to encourage Negro voter registration. Meredith, now a resident of New York, desegregated the University of Mississippi in 1962.

June 7—Martin Luther King and 3 other civil rights leaders resume Meredith's march through Mississippi.

June 23—Mississippi police disperse 2,500 civil rights demonstrators with tear gas in Canton when the demonstrators try to pitch tents on public school property.

June 26—Some 12,000 to 15,000 marchers conclude the civil rights march in Mississippi at the state capitol; they demand immediate reforms in treatment of Negroes.

June 30—John Lewis resigns from the Student Nonviolent Coordinating Committee (S.N.C.C.), of which he was formerly chairman; he criticizes its concept of "black power." The issue is reportedly dividing the civil rights leadership.

### Foreign Policy

June 2—It is reported in Washington that the U.S. has suggested a pact with China pledging that neither would be first to use nuclear weapons provided that China promises to stop nuclear testing. A U.S. message to Hanoi offering to stop bombing of North Vietnam if North Vietnam stops infiltrating troops into South Vietnam is also reported.

June 4—Senator Robert Kennedy (D., N.Y.) arrives in Johannesburg to begin a South African trip.

June 15—The State Department announces resumption of full-scale economic aid to India and Pakistan.

Defense Secretary Robert McNamara says almost all U.S. combat units in France will be evacuated during the next few months.

June 18—President Lyndon Johnson asks North Vietnam and the Vietcong to stop their aggression and speaks of intensified air and ground war if they do not.

June 21—President Johnson greets Saudi Arabia's King Faisal as the King begins a 10-day state visit.

June 23—New York's Mayor John Lindsay cancels an official dinner for King Faisal. (See also *Saudi Arabia*.)

June 28—The State Department says that U.S. relations with Argentina have been suspended.

June 29—Defense Secretary Robert S. McNamara explains that the U.S. bombed

Haiphong and Hanoi because of increasing infiltration into South Vietnam and North Vietnam's efforts to camouflage its oil storage and distribution system. (See also *Vietnam*.)

## Government

June 2—The Senate Rules Committee reveals it will begin closed hearings June 20 into alleged official misconduct by Senator Thomas Dodd (D., Conn.).

June 11—The names of 5,558 hospitals eligible for Medicare are released by the Department of Health, Education and Welfare. These hospitals have assured the department in writing that they have complied with the nondiscrimination requirements of the Civil Rights Act of 1964.

June 14—The President signs a bill authorizing a third hydroelectric plant for Grand Coulee Dam in the state of Washington; Grand Coulee will once again be the world's largest plant, surpassing the Soviet Union's Bratsk Dam.

June 17—The Food and Drug Administration announces new rules for labeling dietary foods and food supplements and the contents of some of these products.

June 18—The President names Rosel H. Hyde chairman of the Federal Communications Commission.

Richard M. Helms is named to succeed Vice-Admiral William F. Raborn as the director of the Central Intelligence Agency.

June 22—President Johnson signs a bail reform measure allowing impoverished defendants waiting for trial in federal courts to be released without bond in some circumstances.

June 27—Senator Dodd denies all charges of misconduct raised against him during the 3 days of open Senate hearings that began June 22 before the ethics committee. The committee recesses until after July 15.

June 28—The President announces that David E. Bell is resigning as head of the Agency for International Development (AID) and that he intends to name Deputy Administrator William S. Gaud to succeed

him. Bell will become a vice-president of the Ford Foundation.

June 29—The President greets Australian Prime Minister Harold E. Holt.

## Labor

June 3—The A.F.L.-C.I.O. reportedly boycotts the annual conference of the International Labor Organization after Leon Chajn of Poland is chosen to preside over the 3-week meeting. (See also *Intl, I.L.O.*)

June 5—A 3-man presidential emergency board recommends settlement terms for a contract dispute between the International Association of Machinists and 5 major airlines. The terms are not made public.

June 9—The Western Union Telegraph Company reports a 2-year contract agreement ending a 2-day telegraph strike.

June 22—The A.F.L.-C.I.O. ends its unofficial boycott of the I.L.O.

## Military

June 30—Thomas D. Morris, Assistant Defense Secretary for Manpower, tells the House Armed Services Committee that the Defense Department favors drafting men 19 and 20 years old ahead of older men, once the Vietnam buildup ends.

## Politics

June 8—Ronald Reagan wins the Republican gubernatorial primary in California.

June 14—Former Governor Ernest F. Hollings wins against Senator Donald S. Russell in South Carolina's Democratic primary for a vacant U.S. Senate seat.

June 19—Senator Robert F. Kennedy (D., N.Y.) says he favors the reelection of President Lyndon Johnson in 1968.

## Science and Space

June 2—The Surveyor 1 spacecraft makes a soft landing on the moon and begins to relay photographs to earth. The surface of the moon is found strong enough to bear the weight of manned spacecraft.

June 3—The Gemini 9 spacecraft is launched into orbit.

June 4—Gemini 9 astronauts abandon plans to dock with a target vehicle.

June 5—Lieut. Commander Eugene A. Cer-



nan walks in space for 2 hours and 9 minutes outside Gemini 9.

June 6—Gemini 9 lands safely.

OGO 3, a scientific satellite, is launched to study the sun's relations to the earth.

## Supreme Court

June 6—The Court rules that federal judges may not hand down prison sentences of more than 6 months for criminal contempt without a jury trial.

The Court rules 8 to 1 that Samuel H. Sheppard did not have a fair trial in 1954 for the murder of his wife in Cleveland, Ohio, because of "virulent publicity"; he must be retried "within a reasonable time" or the case must be dropped.

June 13—The Court rules 7 to 2 that the 1965 federal law allowing Puerto Ricans to vote in New York if they prove they are literate in Spanish is constitutional.

The Court rules 5 to 4 that the Fifth Amendment's privilege against self-incrimination protects a suspect as soon as he is in the custody of the police; this is a new limitation of the power of the police to question suspects.

June 20—The Court rules that the right of arrested civil rights demonstrators to remove their cases from state to federal courts is limited.

The Court rules that limitations on the police power of interrogation are not retroactive.

The Court rules 5 to 4 that the Fifth Amendment does not permit a driver to refuse to take a blood test to determine whether or not he is drunk.

## VIETNAM, REPUBLIC OF (South)

June 2—South Vietnam asks the U.N. to provide observers at the elections scheduled for September 11.

Moderate leaders of the United Buddhist Church declare they will suspend activities against the junta to show goodwill while the junta adds 10 civilian members as it agreed to do yesterday.

June 3—Militant Buddhist leader Thich Tri Quang declares he will order his followers to boycott the national elections if they are conducted by the government of Premier Nguyen Cao Ky.

June 6—Ten civilians join the 10-general junta that rules South Vietnam.

June 12—Premier Ky cancels plans to attend the conference of Asian foreign ministers in Seoul.

June 18—The government announces a currency devaluation to try to meet the continuing inflation.

June 19—Informed sources in Saigon say that the Ky junta plans to retain power until the fall of 1967.

June 21—Thich Tri Quang, imprisoned after he was hospitalized during a hunger strike, says his opposition to the Ky government continues.

It is reported from Hong Kong that North Vietnam has rejected a U.S. offer to open peace talks while both sides cut down on military activity.

June 24—The government decrees the program for the September 11 elections, which will choose a national assembly to draw up a constitution. A simple majority of the national assembly will approve the new constitution, which will provide plans for a legislative assembly.

June 27—U.S. navy planes attack an underground fuel dump in North Vietnam.

June 28—A second fuel dump is bombed by U.S. planes.

June 29—U.S. planes attack gas and oil supplies on the outskirts of Hanoi and Haiphong, in raids that mark a departure from U.S. policy to avoid these major North Vietnamese cities.

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ERRATUM: We regret that on page 36 of our July, 1966, issue, in the article, "U.S. Aid to East Europe," by Vaclav E. Mares, a typographical error appeared. In paragraph 2, line 5, the words ". . . Atlantic Seas" should read ". . . Adriatic Seas."

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